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ABSTRACT

The transition into retirement is the principal focus of this paper. The first four sections of the paper discuss the nature of the retirement component of the Employment and Retirement Need Area; identify goals proposed by previous conferences and groups; present information on the knowledge available with respect to retirement and the retirement circumstances of older people; and identify gaps in meeting their retirement needs. A companion paper is addressed to the employment component. The fifth section of the paper identifies several major issues relevant to improving the retirement circumstances of older people. A bibliography is provided.
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RETIREMENT

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1971 WHITE HOUSE CONFERENCE ON AGING

RETIREMENT

Background

James H. Schulz. Ph.D.

Issues

THE TECHNICAL COMMITTEE FOR EMPLOYMENT AND RETIREMENT

With the collaboration of the author

A. Webb Hale, Chairman

White House Conference on Aging

Washington, D.C. 20201

February 1971

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FOREWORD

This paper on RETIREMENT provides information for the use of leaders concerned with the development of proposals and recommendations for national policy consideration by delegates to the national White House Conference on Aging to be held in Washington, D.C., in November-December 1971.

The first four sections of the paper discuss the nature of the Retirement component of the Employment and Retirement Need Area; identify goals proposed by previous conferences and groups; present information on the knowledge available with respect to retirement and the retirement circumstances of older people; and identify gaps in meeting their retirement needs. A companion paper is addressed to the Employment component. The first four sections of the present paper were prepared for the Conference by James H. Schulz, Ph.D., Associate Professor of Welfare Economics, Brandeis University, Waltham, Massachusetts, with guidance from the Technical Committee for Employment and Retirement.

The fifth section of the paper identifies several major issues relevant to improving the retirement circumstances of older people. The issues were formulated by the Technical Committee on Employment and Retirement for consideration by participants in White House Conferences on Aging at all levels and by concerned national organizations. The purpose of the issues is to focus discussion on the development of recommendations looking toward the adoption of national policies aimed at meeting the retirement needs of the older population. The proposals and recommendations developed in Community and State White House Conferences and by national organizations will provide the grist for the use of the delegates to the national Conference in their effort to formulate a National Policy for Aging.

Arthur S. Flemming
Chairman, National Advisory Committee for
the 1971 White House Conference on Aging

John B. Martin
Special Assistant to the President for the
Aging and Director of the 1971 White House
Conference on Aging

CONTENTS

	Page
I. Introduction – The Need	1
II. Long-Range Goals	3
III. Knowledge Available	4
A. Introduction	4
B. Subjective Reasons Given for Retirement	5
C. Implicit Retirement Reasons	6
1. Early Retirement	6
2. Late Retirement	9
D. The Economic Situation of the Aged	10
E. Physical Health	15
F. Attitudes and Roles	17
G. The Desire for Leisure	21
H. Institutional Constraints	23
1. Obsolescence of Skills and Unemployment	23
2. Pressures to Retire	24
2.1. OASDI Minimum Retirement Age Provisions	24
2.2. Mandatory Retirement Provisions in Private Pensions	25
2.3. Pressures to Retire Early	25
3. Age Discrimination in Employment	26
4. Social Security Retirement Test	27
IV. The Present Situation	29
A. Public and Private Retirement Pension Programs	29
1. Pension Coverage and Benefit Levels	29
2. Vesting	32
3. Survivors' Benefits	35
4. Communications and Disclosure	37
B. Preretirement Education and Planning Programs	37
1. Development of Preretirement Preparation Programs	37
2. The Nature, Content, and Effect of Preretirement Programs	38
3. Illustrative Preretirement Education Programs	39
4. An Assessment of Preretirement Education Programs	41
V. Issues	42
Bibliography	47

I. INTRODUCTION–THE NEED

The employment and retirement problems of persons over age 45 are closely related. Whether a person seeks and whether he is able to enjoy a period of later life free from formal work activities depend on many things. In large measure, however, his willingness and ability to enjoy retirement depend upon work opportunities, earnings levels, the working environment, and other aspects of labor force activity before he retires. Dramatic labor force changes that have an important influence on the number of persons living in retirement have occurred and are occurring in the United States. We have seen the "retirement period" grow in prominence and importance in the lives of increasing numbers of older Americans. With this rise in importance has come the need for increased attention to the problems and potentials connected with the retirement period and, equally important, with the period of transition into retirement.

The transition into retirement is the principal focus of this paper. This transition usually does not occur quickly nor, contrary to popular misconception, is it commonly marked by the point at which a person "retires from his job." As has been observed by F. Le Gros Clark, ". . .it is becoming rare for a man to be precipitated out of his working life into immediate and complete old age. On the contrary, there comes for the majority of men a kind of intermediate period of life, for which we have as yet no descriptive term. Such a period may last for five or ten years or longer. . .. It is in the nature of a low plateau in the life span" (Le Gros Clark, 1966).

It is important to recognize that this transitional period represents for many workers a new phase of life and is clearly related to three basic changes taking place in the society.

> (a) Modern technology and the process of economic growth have increased the productive output of the nation to a point where it is now economically possible for the working population to satisfactorily support large numbers of young and old who are not working.
>
> (b) . . .the emerging pattern of social life which we designate as retirement represents the development in modern society of a new and distinct role available universally for ever larger numbers of persons which has virtually no precedence in existing or previous forms of social organization (Donahue, Orbach and Pollak, 1960).
>
> (c) In a society in which the work role is increasingly irrelevant as a source of satisfaction for many workers and in which the prospect of a disorderly career remains a common fate, a pessimistic forecast about the personal and social consequences of retirement seems quite realistic (Maddox, 1966).

Thus, **the challenge to the individual** as he approaches the retirement phase of life is to rethink the role of traditional types of work in his life, to cope with the changing financial needs and opportunities of the retirement period, to adjust to his changing health condition, and to explore the potentials of available leisure time. Given the heterogeneity of the population, the situations to which individuals must react during the retirement transition vary over a wide range; consequently, we can expect the responses and needs of the individual to be quite different. "This emerging phase can be frustrating and degrading or it can be a fulfilling and creative segment of life. People in it have, to perhaps a greater extent than at earlier stages of life, wisdom, understanding, compassion, and perspective – traits badly needed in our time with its dangerous gap between technology and the solution of personal and group conflicts (Carp, 1969)."

The challenge to society is to recognize the emergence and growing importance of this relatively unstable period — a period when individuals must make substantial adjustments, sometimes very quickly, in their way of life. Society, through its institutions, needs to react to this emerging "process of retirement" (Carp, 1969) and develop appropriate policies that deal with the problems and potentials associated with it.

In preparation for the 1961 White House Conference on Aging each State reported the results of discussions held at pre-Conference meetings. These State reports viewed retirement chiefly in negative terms. "The day of retirement," says the Wyoming report, "often serves to signify the unimportant and non-productive role in which the employee is about to be cast" (*Aging in the States*, 1961). The reports are practically unanimous in calling for flexible retirement, but many are pessimistic about the complications of trends toward greater mandatory retirement. In addition, many States emphasized the need for a more positive concept of retirement, encompassing meaningful choice, preretirement preparation, economic security in retirement, and the development of recreational activity, community service, and self-enrichment retirement opportunities.

Ten years later the issues and needs remain basically the same. What has changed is the growing trend toward "early retirement" and the need to understand the reasons for and the implications of this trend.

II. LONG-RANGE GOALS

When delegates from the States met together for the 1961 White House Conference on Aging, they made the following major recommendations dealing with retirement:

1. Employers and employee representatives should be encouraged to study ways of granting greatest flexibility in the range of time during which workers may exercise their option to retire from active employment (consistent with the circumstances appropriate to the particular situation).

2. It is desirable for pension plans to contain vesting provisions, and where financially feasible, employee rights under those provisions should be liberalized.

3. There is a need to provide employees with retirement information in advance of retirement and also to provide assistance in retirement planning.

Recommendation three is further amplified by a part of the "Declaration of Policy" contained in the Act calling the 1961 Conference: "Assisting middle-aged and older persons to make the preparation, develop skills and interest, and find social contacts which will make the gift of added years of life a period of reward and satisfaction and avoid unnecessary social costs of premature deterioration and disability." In addition, the 1951 Conference on Aging recommended that employing organizations "give careful consideration" both to their preretirement and postretirement policies so as to: (a) stimulate individuals to prepare and plan ahead for their retirement, (b) promote a positive attitude toward life after retirement, and (c) minimize unavoidable changes in social and economic conditions at or after retirement.

These recommendations are consistent with the general long-range goal contained in Title I of the Older Americans Act passed in 1965, which states that it is the duty and responsibility of the government of the United States to assist our older people to secure equal opportunity to the full and free enjoyment of "Retirement in health, honor, dignity — after years of contribution to the economy" and "pursuit of meaningful activity within the widest range of civic, cultural, and recreational opportunities."

III. KNOWLEDGE AVAILABLE

A. INTRODUCTION

While the population of the U.S. today is 2.6 times what it was in 1900, the number of older people has grown more than proportionately. There are 6.3 times more Americans aged 65 and above today than were alive in 1900. This increase in the elderly population can be explained by high birth and immigration rates and by decreasing mortality rates. As a result of their rising numbers and the present national concern with the problems of poverty, the problems of the aged have attracted increased attention and have stimulated research in many areas associated with aging. One such area of research has to do with the decision to retire.

In view of work-oriented values in the United States and the importance of income derived from work, which for almost everyone is reduced in retirement, retirement is one of the most important decisions made by persons in our society. Aging in general and the retirement decision in particular, however, involve more complex and intertwined choices than deciding between more or less income. Income and assets are part of the vital considerations of the individual in the retirement decision, but there are many other considerations. The individual must consider his health and evaluate, consciously or not, the physical and emotional difficulties of continued employment vis-a-vis the benefits and problems of retirement. Educational differences, sex, unvoiced beliefs, and open attitudes reflecting his social group's values toward work and leisure also will come into play.

Closely related to above variables associated with the individual are various external variables affecting the individual's retirement decision — external in that they are, in part, beyond the person's own control. Included among these external influences are such things as (1) available job opportunities, (2) the levels of compensation currently being offered, (3) the type and amount of public and private retirement income provision and (4) the institutional setting prescribed by work rules and government legislation.

Certain irreversible consequences of job change must also be considered; for example, an older worker's "last job" frequently constitutes the climax of a career associated with higher wages and benefits than can usually be obtained in re-employment. Uncertainty and chance further complicate his retirement decision; expectations about the unpredictable future enter the decision as well as factors affecting the present. Among these factors are changing work-life and retirement-life expectancy, both of which have increased markedly since 1900 (See Table 1.).

TABLE 1.—LIFE, WORK-LIFE, AND LEISURE EXPECTANCIES FOR MEN AT BIRTH, UNITED STATES, 1900 and 1960

Year	Life	Expected years of work	Leisure
1900	48.2	32.1	16.1
1960	66.6	11.1	25.2
	Expected Leisure Years in		
	School 0-20	Disability 20-65	Retirement 65 and over
1900	13.0	1.4	1.7
1960	16.8	2.8	5.6

Source: Wolfbein, 1963.

TABLE 2.–DISTRIBUTION OF RETIRED FAMILY HEADS BY AGE AND RETIREMENT AGE GROUP, 1966

[In percent]

Age in 1966	Less than 65	Retirement age group		Total
		Age 65	Greater than 65	
Less than 60	17	0	0	17
60-61.	10	0	0	10
65-69.	12	8	2	22
70-74.	8	5	10	23
75 and over.	6	5	17	28
Total	53	18	29	100

Source: Barfield & Morgan, 1969.

Recently, a rise in the number of early retirements, i.e., retirement before the age of 65, has resulted in a very significant increase in the number of retirees. A 1966 national survey (Barfield and Morgan, 1969) indicated, for example, that 53 percent of the retirees in that year retired early (See Table 2.).

Early retirement has thus become an increasingly important aspect of the retirement decision. Early retirement existed, of course, in previous years, but there seems to have been a gradual shift in practice and attitude. Early retirement used to be associated almost exclusively with such problems as severe illness, chronic unemployment, obsolescense of skills, or earnings "that were characteristically low or that had dropped off substantially" (L. A. Epstein, 1966). More recently, however, "there seem to be more and more aged men who are well enough to work and who might get some kind of job if they were interested, but who prefer the leisure of retirement (Epstein and Murray, 1967)." Moreover, in a recent national sample (Barfield and Morgan, 1969) a significantly larger proportion of younger people indicated they planned to "retire early" than did older persons. This expectation of early retirement by significant numbers of younger persons seems to imply a more optimistic view about retiring early. It contrasts with the more traditional association of early retirement with health or employment problems.

If this trend continues during the 1970's, an even larger number of early retirees can be expected. The subsections below, therefore, look at what we know about the factors influencing the decision to retire.

B. SUBJECTIVE REASONS GIVEN FOR RETIREMENT

A comparative study of reported reasons for retirement in 1951 and 1963 (Palmore, 1964) indicates certain trends and shifts. More men in 1963 indicated that they retired voluntarily than in the 1951 survey. This increase in voluntary retirement was associated with a large increase in "preferred leisure" among the sampled men. Poor health as a reason for retirement was important but declined in relative importance (See Table 3.).

Similar findings regarding the reasons for retirement have been reported in a recent national study of early retirees. Barfield and Morgan report:

> Non-retired respondents were asked why they planned to retire at the age they stated, why they thought their wife wanted them to retire or to remain at work, and why they thought other people were retiring before age 65. Retired respondents were asked why they retired when they did.

TABLE 3.—TRENDS IN REASONS FOR RETIREMENT, GIVEN BY MEN 65 AND OVER, UNITED STATES, 1951 AND 1963

Reason for retirement	1951	1963
Total per cent	100	100
Own decision	54	61
Poor health	41	35
Preferred leisure	3	17
Other reasons	10	9
Employer's decision	46	39
Compulsory retirement age	11	21
Poor health	7	6
Laid off or job discontinued	22	8
Other reasons	7	4

Note: For 1951 survey, includes only wage and salary workers who became beneficiaries within the preceding 5 years and were full-year beneficiaries; for 1963 survey, includes only those who had stopped working at full-time jobs within the preceding 5 years and were full-year beneficiaries.

Source: Palmore, 1964.

The retired overwhelmingly mentioned health reasons for retiring when they did (48 percent of those who gave reasons), with family reasons (14 percent) a poor second and with job reasons (11 percent) and financial reasons (10 percent) trailing.

Non-retired persons commonly thought other people retired early because they could afford it (36 percent), but health reasons (28 percent) were also often given. Job considerations (16 percent) and the desire to do other things such as traveling or playing golf (14 percent) were less frequently mentioned. When speaking about their own situations and giving reasons for their own retirement plans, the most common response for those planning to retire at some age was financial ability (24 percent) followed by health (16 percent), dislike of the job (10 percent), and the lure of other things to do (8 percent). Finally, when the family head was asked why he thought his wife felt as she did about his retirement, the most common response was that she looked forward to the possibility of his doing other things than work (19 percent); presumably these were mostly family activities, such as travel, visiting relatives, and the like. Health and financial reasons (both 15 percent) were also seen as salient to the wife (Barfield and Morgan, 1969).

Additional survey findings are supportive of the previous two surveys. A comparative study of old people in three industrial societies—United States, Britain, and Denmark—found that the United States, as compared to the other two countries, has a remarkably high percentage of people who retired because in some way or other they were capable of living on their own resources (Shanas, et al., 1968). Nineteen percent of the U.S. retired men over age 65 stated that they "could afford to retire, had no need for work, or did not want to work." Fifty percent gave bad health as their reason for not working, and twenty-nine percent said that they had been forced to retire because of compulsory retirement provisions or company closings.

C. IMPLICIT RETIREMENT REASONS

One would suspect that certain variables influence the retirement decision that are not explicitly mentioned by respondents of retirement surveys. A recent statistical regression

analysis, for example, examined the influence and order of importance of eleven variables on early retirement and on late retirement, respectively (Barfield and Morgan, 1969). The data for this analysis were from two sources: (1) a representative sample of the national population and (2) a random sample of older workers in the automobile industry. Data for the national sample were collected in 1966.

1. Early Retirement

To investigate early retirement, Barfield and Morgan analyzed a sample of 1,652 persons aged 35 to 59. The findings are summarized in Table 4 in order of explained variance, i.e., importance for predicting the retirement decision.

TABLE 4.–PREDICTORS BY THEIR IMPORTANCE IN EXPLAINING PLANS FOR EARLY RETIREMENT[a]

Predictor	Using unadjusted means	Using adjusted means	
	Importance taken singly (Correlation ratio squared)	importance in regression (beta squares)	Direction of (net) effect on plans to retire before age 65
Expected retirement pension income	.043	.035	+ with increasing income
"Other economic variables" index	.039	.025	+ with more favorable position
Health index	.010	.012	- with better health
Whether hobbies	.015	.007	+ with hobbies to pursue
Ranking of "short hours" criterion	.004	.006	- with low ranking
Job satisfaction	.004	.005	- with increasing satisfaction
Age	.013	.005	- with increasing age
Current family income	.011	.004	No discernible direction
Sex	.001	.001	- for males
Race	.001	.001	+ for Negroes/Latin Americans
Whether self-employed	*	.002	No discernible direction

[a]For 1,652 respondents in the labor force. age 35 to 59.
*Less than 0.0005.

Source: Barfield & Morgan, 1969.

The important factors were:

(1) Expected Retirement Pension Income.

Those who looked forward to a high pension and annuity income after retirement in their sixties were more likely to express early retirement plans. The "threshold" for an increase in individuals electing early retirement occurred when retirement income reached about $4,000/year; an increase in expected income above this level was associated, statistically, with an increase in the number of respondents planning to retire early (See Figure 1.). Most respondents seemed to consider this to be the minimum amount necessary to maintain a reasonable standard of living in retirement. Of course, this threshold estimated for 1966 will presumably shift upwards over time with increases in the price level and what families subjectively consider an acceptable living standard.

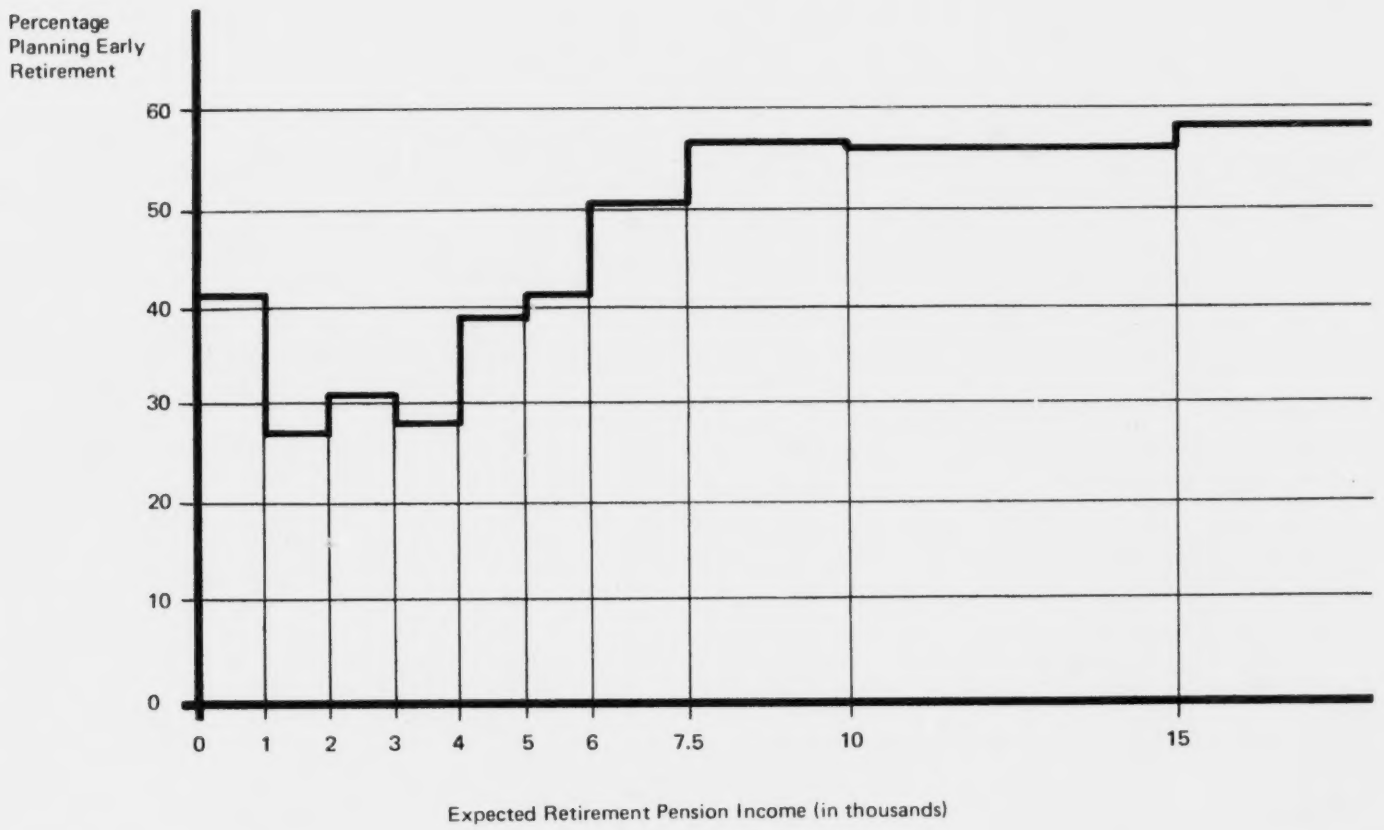
(2) "Other Economic Variables" Index.

Next in importance to expected retirement income were four other economic variables that were combined in the analysis by Barfield and Morgan to form an index of general economic well-being. This index was dependent upon the following variables:

(a) Whether he expects dependents other than a wife when he is age 60 or over.

(b) Whether expected earnings in retirement will be above $499.
(c) Whether expected income from asset holdings will be above $999.
(d) Whether mortgage payments will not be required after age 60.

FIGURE 1.–PLANNED EARLY RETIREMENT VS. EXPECTED RETIREMENT PENSION INCOME



Source: Barfield & Morgan, 1969.

The proportion of respondents planning to retire early was directly related to the extent that the answers to the above questions were positive (See Table 5.). This indicates that the number of dependents, the expected additional earnings from work and assets, and/or the lack of mortgage payments in retirement are factors taken into account in the retirement decision by individuals.

TABLE 5.–PROPORTION PLANNING EARLY RETIREMENT[a] vs. INDEX OF EXPECTED ECONOMIC SITUATION

Index	Expected economic situation	Proportion
0, 1	Relatively unfavorable	.218
2	Average	.386
3, 4	Relatively favorable	.430

[a]For 1,652 family heads in the labor force age 35 to 59.

Source: Barfield & Morgan, 1969.

(3) Health Index.

An index of health was computed by Barfield and Morgan as the sum of the weighted answers to the following questions:

(a) 2 points for feeling better now relative to "several years ago."

(b) 1 point for having missed few workdays because of illness during the last 5 years.
(c) 1 point for not having a work-limiting disability.
(d) 1 point for having missed no work weeks because of illness in 1965.

Not unexpectedly, ill health tended to encourage early retirement; respondents with low health index scores expressed early retirement plans more often than those with a high health index (See Table 6.).

TABLE 6.–PROPORTION PLANNING EARLY RETIREMENT[a] vs. INDEX OF PRESENT HEALTH

Index	Present health	Proportion
0-2	Relatively poor	.117
3-5	Relatively good	.326

[a]For 1,652 family heads in the labor force, age 35 to 59.

Source: Barfield & Morgan, 1969.

Pooling the results of the regression analysis with the subjective retirement reasons given in the previous section indicates that finances are basic to the retirement decision. Once one can afford to retire, health and various other factors will influence the time of retirement. However, for those who cannot "afford" to retire, particularly those below the threshold retirement income, only rather severe ill health or other situational problems are likely to induce retirement, if an option is available.

2. Late Retirement

Though the primary purpose of the Barfield and Morgan analysis was to study early retirement behavior, the study also reported on late retirement. About 15 percent of the survey respondents intended (1) to retire above age 69, (2) to continue work as long as possible, or (3) "never" to retire. A separate regression analysis was undertaken using the same eleven variables as predictors. The findings are displayed in Table 7, which also shows the rank of the variable in the early retirement regression analysis.

The order of importance of variables on the late retirement decision, however, is substantially different from the early retirement decision. One is able to conclude that respondents who planned to retire at the age of 70 or above were influenced by different criteria than those who intended to retire early. The important factors were:

(1) Self-employment.

While self-employment was the least important factor in early retirement, it was the most important variable for planned late retirement. Approximately 27 percent of the self-employed intended to retire after the age of 69, 36 percent intended to retire early, and 37 percent intended to retire between the ages of 65 and 69.

(2) Expected Retirement Pension Income.
(3) Current Income.

Both current and expected retirement incomes were inversely proportional to late retirement behavior. Respondents with low current incomes or low expected retirement incomes were more likely to retire late.

(4) Job Satisfaction.
(5) Age.
(6) Hobbies in Retirement.

TABLE 7.–PREDICTORS BY THEIR IMPORTANCE IN EXPLAINING PLANS FOR LATE RETIREMENT[a]

Predictor	Using unadjusted means	Using adjusted means		Rank in "early retirement" regression
	Importance taken singly (correlation ratio squared)	Importance in regression (beta squared)	Direction of (net) effect on plans to retire after age 70	
Whether self-employed	.044	.026	+	11
Expected retirement pension income	.048	.019	–	1
Current family income	.029	.015	–	8
Whether enjoyed his work	.008	.009	+	6
Age	.013	.006	+	7
Whether hobbies	.009	.004	–	4
Health index	.005	.002	0	3
"Other economic variables" index	.006	.001	0	2
Low ranking of "short hours" criterion	*	.001	+	5
Race (whether Negro/Latin American)	.001	*	0	10
Sex (whether male)	.002	*	0	9

[a]For 1,652 family heads in the labor force age 35 to 59.
*Less than 0.0005.

Source: Barfield & Morgan, 1969.

Respondents who enjoyed their work tended to delay their retirement. Older respondents were more likely to plan a later retirement than were younger respondents. People who intended to pursue hobbies in retirement or to continue present hobbies were less likely to retire late.

D. THE ECONOMIC SITUATION OF THE AGED

The fact that expected retirement pension income in conjunction with other economic considerations such as mortgage payments, the number of dependents in retirement, and expected additional income from work and/or assets significantly affects retirement plans has been discussed. The purpose of this section, therefore, is to briefly outline the economic situation of the retired, particularly the problems related to income in retirement. The Background Paper on "Income" examines this topic in more detail and should be referred to for additional information.

A considerable portion of the retired have always suffered from very low incomes in their worklife, requiring some form of income maintenance even before they retired. For example, 12% of surveyed families in 1966 with heads aged 35 to 59 (Barfield and Morgan, 1969) had an income below $4,000 (See Figure 2.). As reported above, Barfield and Morgan found that approximately $4,000 seemed to be the minimum income necessary to facilitate retirement at 1966 prices. Using budget data, the Bureau of Labor Statistics has estimated $3,930 as a "moderate but adequate" income for a retired couple ($2,170 for an aged person living alone) at 1968 prices (U.S. Bureau of Labor Statistics, 1969).

Another measure, the "thresholds for poverty" developed by the Social Security Administration, establishes poverty levels as in Table 8.

Data from the 1968 Survey of the Aged reveal a large proportion of the aged to be poor or near poor (See Table 9.). Interpolating from the data in Table 9 and using the Social Security Administration threshold for poverty, slightly more than 20 percent of the couples

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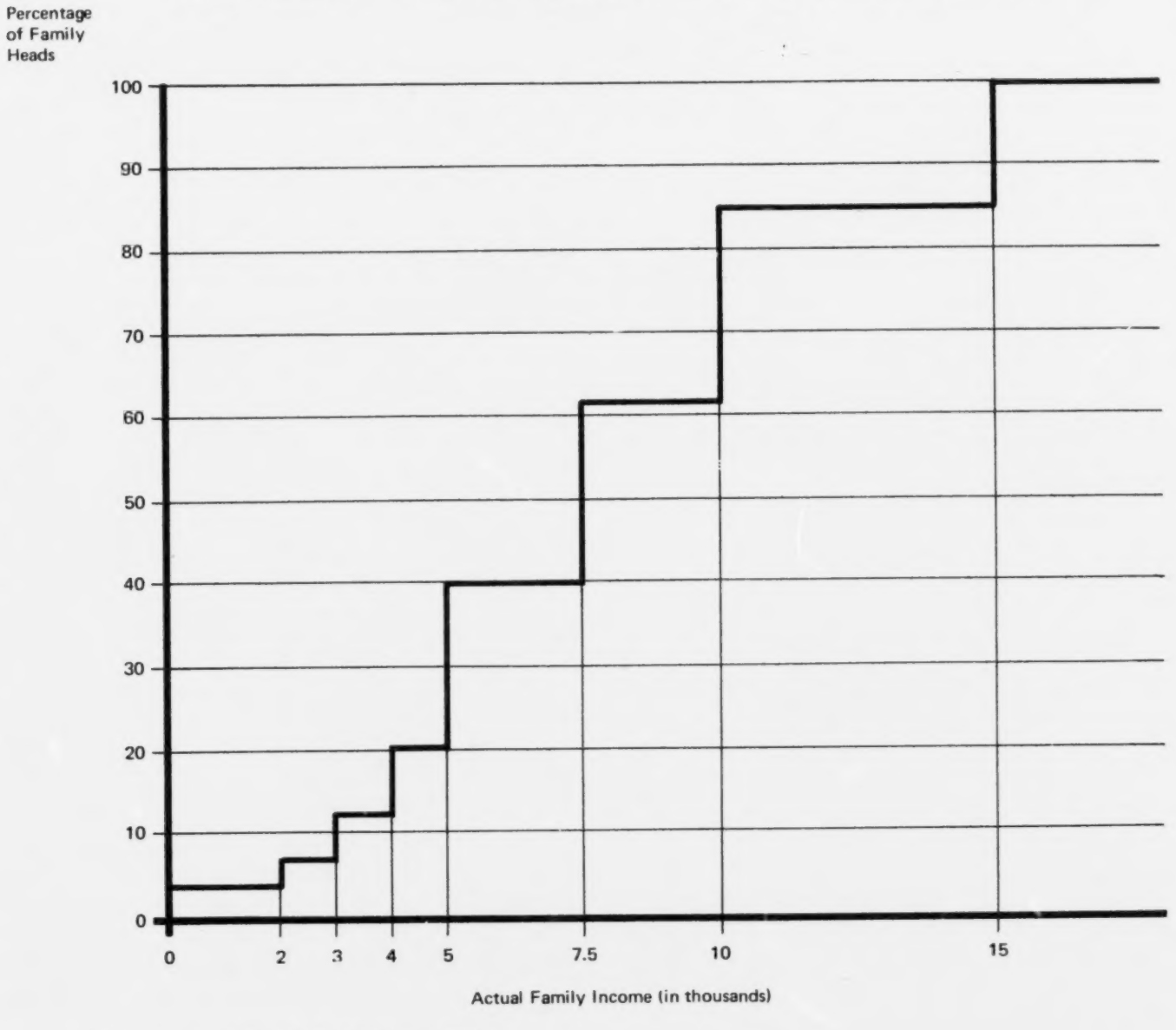
FIGURE 2.–CUMULATIVE DISTRIBUTION OF FAMILY HEADS AGE 35-59 BY INCOME GROUP, 1966



Source: Adapted From Barfield & Morgan, 1969.

and more than 57 percent of the individuals were poor that year; an additional 12 and 16 percent, respectively, were "near poor." Using the Bureau of Labor Statistics moderate income standard, approximately 60 percent of the couples and more than 73 percent of the individuals were living in 1967 below what was considered a "moderate but adequate" income level.

In addition to the aged who have always lived in poverty and the aged who find themselves for the first time in poverty because of inadequate pensions, there are many aged families above the poverty level whose earnings during worklife allowed them a comfortable living standard but whose retirement incomes have dropped far below their preretirement

TABLE 8.–U.S. SOCIAL SECURITY ADMINISTRATION THRESHOLDS FOR POVERTY

Classification	1967		1970[a]	
	Married	Single	Married	Single
Aged poor	$2,020[b]	$1,600	$2,400	$1,900
Aged men poor.	$2,690	$1,900	$3,000	$2,400

[a] Preliminary.
[b] Yearly income.

Source: Social Security Administration.

TABLE 9.—DISTRIBUTION OF THE AGED BY INCOME GROUP, 1967

Total money income	Married couples	Nonmarried persons
		Total
Number (in thousands):		
Total	5,989	9,789
Reporting on income	4,417	7,770
Percent of units	100	100
Less than $1,000	3	31
1,000-1,499	6	26
1,500-1,999	11	16
2,000-2,499	12	10
2,500-2,999	11	5
3,000-3,499	10	3
3,500-3,999	9	2
4,000-4,999	11	3
5,000-7,499	15	2
7,500-9,999	7	1
10,000-14,999	3	1
15,000 or more	2	1
Median income	$3,373	$1,306

Source: Bixby, 1970.

levels. Their income problem grows out of the cessation of earnings of one or more family members and the failure of their savings and/or private and public pensions to replace a sufficiently large portion of these earnings. Findings of two different surveys are presented in Table 10. A fifth to a third of the respondents felt that their retirement standard of living was below their preretirement standard.

Barfield and Morgan have reported on the subjective evaluation of income differences expressed as the ratio of retirement to preretirement income. For example, 26 percent reported a ratio of about one-half and 34 percent reported one-fourth or less (See Table 11.).

TABLE 10.—DISTRIBUTION OF RETIREES' PERCEPTION OF CHANGE FROM PRE-RETIREMENT TO RETIREMENT LIVING STANDARD, 1966

Perceived change	Percentage	
	Barfield study	Greene study
Better	5.0	7.6
Same	53.0	70.8
Worse	32.0	21.1
No response	10.0	.5
Total	100.0	100.0

Source: Barfield & Morgan 1969 and Greene, Pyron, Manion & Winklevoss, 1969.

TABLE 11.—RETIREES' PERCEPTION OF RETIREMENT TO PRE-RETIREMENT INCOME RATIO, 1966

[Percentage distribution]

Ratio	Percentage of retirees
Less than 1/4	8
1/4	26
1/2	26
3/4	4
1	14
Greater than 1	4
No response	18
Total	100

Source: Barfield & Morgan, 1969.

Under OASDHI, Social Security pension payments are based on credited earnings. Computation of these benefits has been affected historically by changes in the benefit formula, the maximum creditable earned income, and the period of average earnings upon which benefits are based. A recent sample estimate of the replacement rate or pension = earnings ratio for the U.S. Social Security System has been made by the Social Security Administration, Office of Research and Statistics (Horlick, 1970). The replacement of earnings in the year before retirement by a Social Security retirement pension for a single male full-time industrial worker with average earnings in manufacturing retiring at age 65 in 1968 was 29 percent. The replacement rate for a similar worker who had a wife who was at least aged 65 was 44 percent.

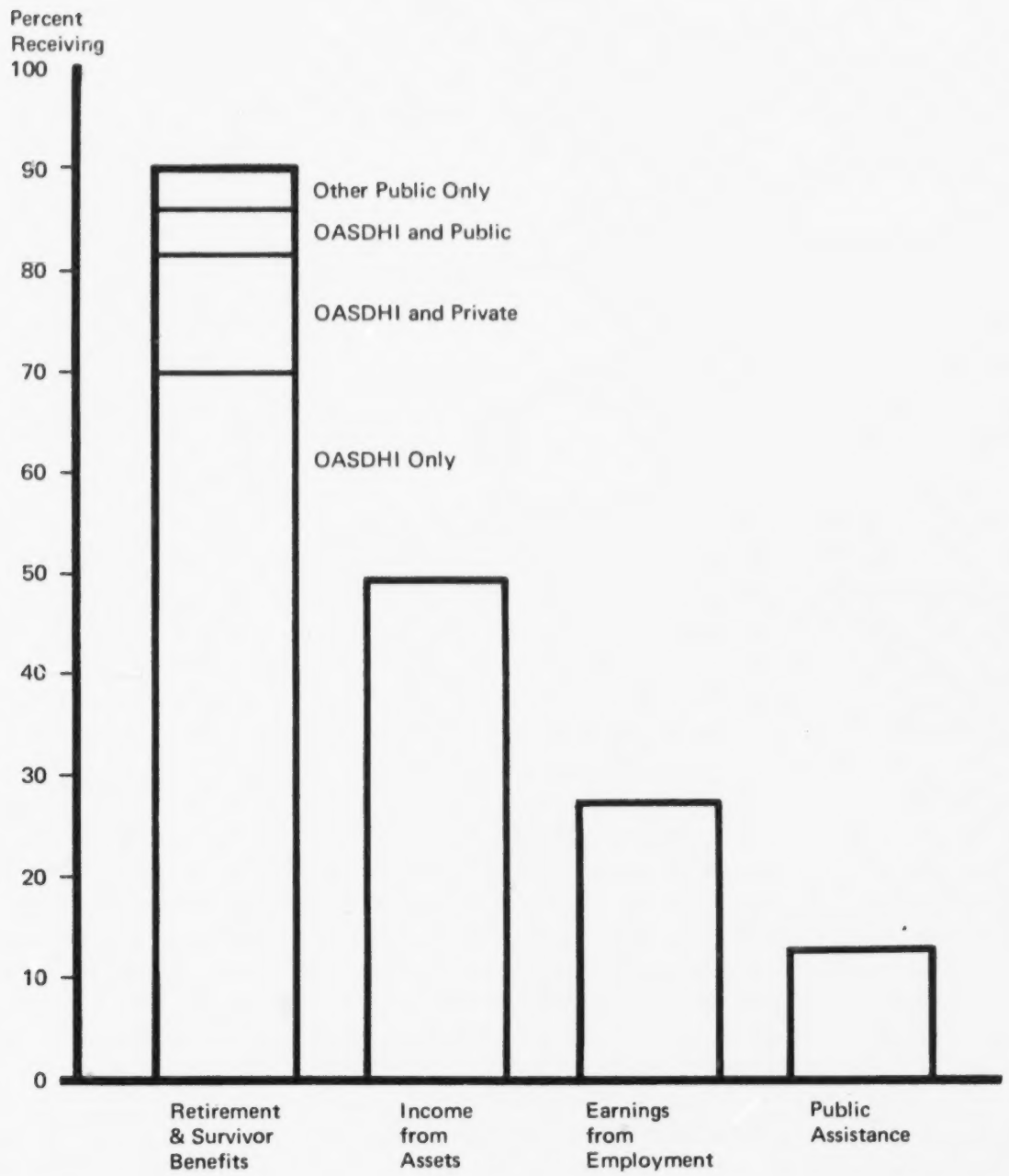
The above rates were based upon preretirement earnings defined as earnings in the year before retirement. If the measure of preretirement earnings is defined to be average earnings during the 1950-68 period and excluding the 5 years, 1950-55, of lowest earnings, the replacement rate for a single male worker rises from 29 percent to 38 percent. The replacement rate for a couple, of course, also rises.

Almost no information, or data, is currently available concerning the relationship between the income the current aged population is receiving and their average preretirement earnings. The great variety of factors that affect this ratio — such as earnings history, pension rights, and wealth — makes the ratio difficult to measure.

Given the limitations of existing data, current measures usually focus upon the ratio in retirement of pension income, instead of total income, to preretirement average earnings. Such a measure is very useful since earnings and pension income constitute the bulk of income for the majority of the working and retired families. In 1967, for example, about 90 percent of aged units received payments from at least one program, with OASDHI contributing the largest share (See Figure 3.).

In a digital computer simulation of the economic situation of future retired persons, Schulz, using 1960 census data, projected pension = earnings ratios for 1980. The stimulation considered the effect of factors such as unemployment, job change and vesting, trends in pension coverage and benefits, variable earnings, and early retirement (Schulz, 1968). A sample of persons who were, in general, between the ages of 45 and 60 was "aged" into retirement, and future pension benefits were estimated. Based on appropriate probability distributions for survival at a certain age, labor force exit or entry, job change, pension coverage, and vesting and unemployment, the study simulated the work and pension experience of the sampled individuals and families in order to make the desired pension estimates.

FIGURE 3.—MAIN SOURCES OF INCOME OF THE AGED, 1967



Source: Bixby, 1970.

Projected ratios of the relationship between pension income and preretirement average earnings were computed. Preretirement average earnings were defined as the average of earnings five years prior to retirement. The projected pension-earnings ratios for the 1980 retired population are presented in Table 12.

For couples with average preretirement earnings between $4,000 and $5,000, more than half of the couples are projected to have pensions in retirement that are less than half of their preretirement earnings. These relatively low pension-earnings ratios are due mainly to two factors that are generally not included in straight-forward calculations of such ratios, using the pension formula in the Social Security Law or contractual agreements regarding private pension levels. (1) Large numbers of workers retire early with reduced pension benefits, and (2)

TABLE 12.–PROJECTED[a] RATIO AT RETIREMENT OF TOTAL PENSION INCOME[b] TO TOTAL PRERETIREMENT EARNINGS[c] FOR NONAGRICULTURE COUPLES BY PRERETIREMENT EARNINGS GROUP

[Percentage distribution]

Ratio	Average preretirement earnings							
	Less than $3,000	$3,000 to $3,999	$4,000 to $4,999	$5,000 to $5,999	$6,000 to $7,999	$8,000 to $9,999	$10,000 to $11,999	$12,000 to $15,999
Less than 0.20[d]	0	3	10	4	9	16	12	20
0.20 to 0.29	2	6	14	9	16	19	23	28
0.30 to 0.39	8	19	18	28	19	22	24	22
0.40 to 0.49	15	9	12	16	16	20	21	15
0.50 to 0.69	21	38	28	31	25	20	14	14
0.70 to 0.99	13	8	11	8	12	4	4	1
1 or more	40	17	7	3	2	1	1	0
Total	[e] 100	100	100	100	100	100	100	100

[a] Source: Simulation model. (See text.)
[b] Social security (primary and supplemental), private, and/or Government employee pensions.
[c] Average of 5 years prior to retirement.
[d] Includes couples receiving no pension income but with some earnings.
[e] Totals may not sum to 100 percent due to rounding.

Source: Schulz, 1967.

workers' average taxable earnings for Social Security pensions are always lower than the average earnings over five years.

E. PHYSICAL HEALTH

A recent Bureau of Labor Statistics survey of reasons for nonparticipation in the labor force among persons aged 16 years and over in 1968 (Flaim, 1969) shows that 8 percent of the nonparticipants of both sexes attribute their status to ill health or disability. More than half of the 2.12 million nonparticipating men and slightly less than half of the 2.22 million nonparticipating women were 60 years old or more. For all age groups, ill health and disability rank fourth among reasons for nonparticipation; for persons aged 60 and over it ranks second after retirement for men and for women, home responsibility. The increase of ill or disabled nonparticipants with age is shown in Table 13.

The importance of health as a reason for retirement has been reported by numerous studies. In addition to the findings by Palmore and Barfield/Morgan, data from the "Three Industrial Countries" study (Shanas, et al., 1968), the Social Security Administration Survey of Disabled Adults, and the SSA Survey of New Beneficiaries indicate health as a major determining factor.

> Among men who were entitled before age 65 and were not working shortly after filing for benefits (whether or not they claimed retroactive payments), health was far and away the "most important reason" for leaving their last job – and therefore presumably for claiming benefits – according to preliminary data from the Survey of New Beneficiaries. . ..
>
> The 1966 SSA Survey of Disabled Adults (under age 65) found that four-fifths of the men receiving early retirement benefits in 1965 and one-fourth of the

TABLE 13.—REASONS FOR NONPARTICIPATION IN THE LABOR FORCE BY SELECTED AGE GROUPS, 1968 ANNUAL AVERAGES, MALES

[Percentage distribution]

Reason	Age group						
	25-34	35-44	45-54	55-59	60-64	65	Total
School	41	7	1	--	--	--	28
Ill health	29	57	62	61	41	14	17
Home duties	2	3	2	2	2	2	1
Retirement	*[a]	1	3	6	44	79	40
Other[b]	28	32	32	30	12	5	14

[a] Less than one
[b] Includes no job desired, cannot obtain work, and various other reasons

Source: Flaim, 1969.

nonbeneficiaries aged 62-64 were disabled. Severe disability was reported by one-third of the men receiving reduced benefits, but by only 6 percent of those not on the benefit rolls. In fact, the chances were 2 in 3 that noninstitutionalized men aged 62-64 who reported themselves as being severely disabled were receiving actuarially reduced retirement benefits rather than disability benefits (Bixby, 1970b).

A word of caution is in order regarding these health findings. Since these findings rely on the individual's self-evaluation, a question arises as to whether there is a bias in the reported figures. Generally, a person's self-evaluation of his own health is more favorable than a physician's health rating (See Table 14.). Alternatively, to the extent that the "right" to retire at certain ages has not been socially legitimatized, persons may give health as the reason for

TABLE 14.—COMPARISON OF OLD PEOPLE'S RATING OF THEIR HEALTH WITH PHYSICIANS' RATING

[Percentage distribution]

Self ratings	Physician's rating	
	Favorable	Unfavorable
(a) General health		
Favorable	77	61
Unfavorable	23	39
Total	100	100
(b) Specific health problems		
No	79	66
Yes	21	34
Total	100	100
N =	(635)	(361)

Source: Suchman *et al.*, 1958, p. 266; based on panel of over 1,000 males 64+ studied 1952-1954.

TABLE 15.–LABOR FORCE STATUS AND HEALTH OF MEN 65 AND OVER BY OCCUPATION

[Percentage distribution within each occupational group]

Longest occupation group[a]	In labor force	Not in labor force				
		Total	Not well enough to work	Well and interested	Well and not interested	Reason not ascertained
Professional and technical	67	33	15	5	12	2
Farmers and farm managers	43	57	46	2	8	1
Nonfarm managers and proprietors	53	47	29	5	12	2
Clerical	31	69	45	6	19	0
Sales	49	51	33	5	12	0
Craftsmen	33	67	53	5	7	2
Operatives	36	64	55	3	6	1
Services	37	63	55	7	1	0
Farm labor	35	65	48	6	8	3
Other labor	31	69	59	3	7	0
All groups	41	59	45	4	8	2

[a] The occupation with which the man had been identified longest.

Source: Steiner & Dorfman, 1957.

retirement because it is socially more acceptable. "Although normatively and institutionally devalued, advancing age provides few exemptions from role requirements before retirement. The acceptance of disability, however, as a condition beyond his control, excuses the individual from responsibility for his performance limitations and permits modification of role expectations in terms of devalued capacities" (Haber, 1970).

Therefore, when at least half of the old persons of 60 years and over report not working because of ill health or disability, this does not mean necessarily that health has been the prime factor in determining retirement for the majority of respondents; we can assume, however, that physical health is a major co-determinant.

Certainly in occupations with heavy physical demands, health is much more likely to be the prime determinant. This difference was found in an early survey of occupation, labor force status, and health status (Steiner and Dorfman, 1957). The effect of ill health on labor force participation for various occupations is tabulated in Table 15.

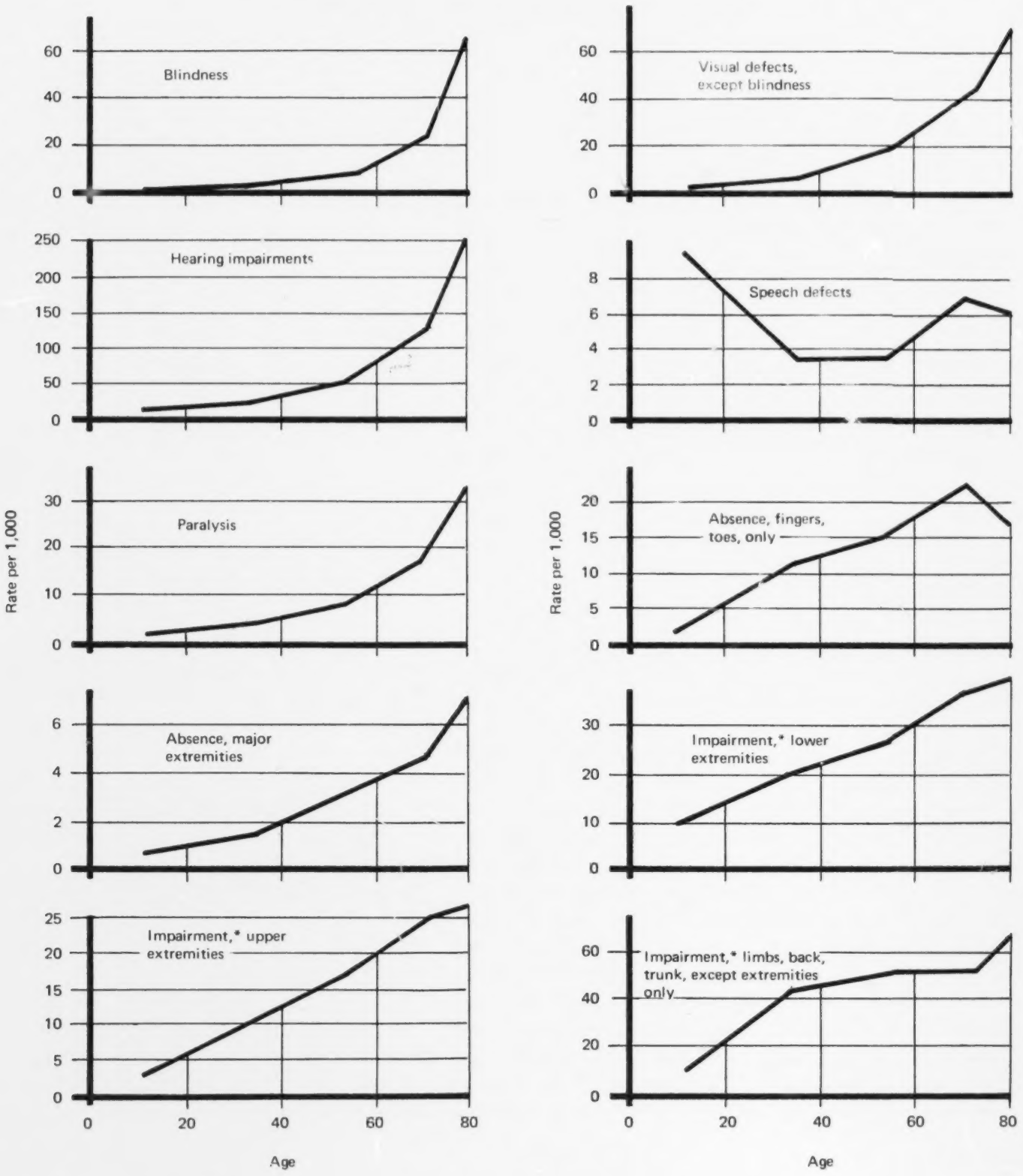
Men considering themselves not well enough to work are relatively scarce in professional, technical, sales, and the other managerial occupations. Except for clerical jobs, all other occupations studied make heavy physical demands and show labor force participation rates below the average of all groups. If we consider the occurrences of specific impairments with age, as displayed in Figure 4, then the findings of Steiner and Dorfman become self-evident.

F. ATTITUDES AND ROLES[1]

As noted above, retirement is a phenomenon of relatively recent origin in our society, creating a new life cycle stage for a growing number of people. Not too long ago life history went from adulthood through senescence to death. People worked in adult years, quit when they were unable to work, and died relatively soon thereafter (See Table 1.). This is still unchanged in some parts of the world, but in our society such life history typically belongs to

[1] For a comprehensive discussion of this topic see the Background Paper on "Retirement Roles and Activities."

FIGURE 4.–SPECIFIC IMPAIRMENTS, BY AGE, UNITED STATES, 1957 TO 1958



*Except paralysis and absence.

Source: US National Health Survey, 1959, Health Statistics, Series B.

the past. In view of this change, it is not surprising to find many divergent and often unclear attitudes towards retirement and to find generally undefined roles

That society has failed to define role models for all stages beyond early adulthood (Rosow, 1963) makes it not only extremely difficult for individuals to adapt to the new life cycle stages but also difficult for researchers to focus on these stages and their related aspects. Davidson and Kunze (1965) found that an overwhelming number of employees have no idea what retirement means, what it consists of, and whether they will be prepared for it emotionally and financially. The experience of Davidson and Kunze with workers facing retirement led them to conclude that "the absence of precautionary advice to people of all ages concerning the need for preretirement planning could not have been more complete if society had contrived a deliberate scheme to withhold the information."

Our knowledge and research of the human life cycle beyond early adulthood is rather scant compared with our understanding of the stages prior to adulthood. Relative to the amount of time devoted to developing and managing the large store of technical knowledge now available to our society, very little time has been devoted to studying the implications this knowledge has for life in retirement.

White collar workers and skilled workers are usually retired without choice in contrast to certain groups like politicians, the self-employed, and professionals. Discussing retirement practices in medicine, law, and politics, Butler (1969) noted that "members of all three groups can die with their boots on and may continue to practice despite disability." Data on labor force participation show that workers in high status occupations are more likely to be in the labor force after age 65 than those in the lower status occupations (Goldstein, 1967). Studies by Stokes and Maddox (1967), Friedman and Havighurst (1954), and Michelon (1954) have concluded that persons in the higher status occupations are less willing to retire because of the extra-economic benefits derived from the work experience.

"Persons entering later adulthood cannot have a clear picture of how they should behave until society decides what the later periods of life ought to be. The learning task is cognitively obscure and motivational elements are largely negative" (Carp, 1969). Since in our society we have not defined and clarified role models past early maturity, few norms for subsequent life stages exist to serve as models or goals. This lack certainly influences individuals' attitudes. In current American language usage, for example, senescence follows adolescence.

In the absence of appropriate life stage models, variables relevant to previous stages may be selected to measure performance. Consequently, it is not surprising that the later stages are associated with loss, measuring what has been left behind in the previous life cycle stage and associating it with the later stage.

What can result from a negative attitude towards aging and the anonymity maintained around the later years of life? There is an entire spectrum of consequences—unncessary conflicts in growth, wear and tear on the organism, a potential to lose creativity, productivity, and leadership unnecessarily (Butler, 1967), and generally bad feelings about retirement and age-segregated housing—to name only a few.

In his study of retirement attitudes among heads of husband-wife families with an income of above $2,999 in 1962 and 1963, Katona (1965) found that a fifth to a quarter of the respondents of various age groups dreaded retirement (See Table 16.). We do not know enough to say why these men dreaded retirement; financial concerns were probably an important factor. But maybe, as Butler has pointed out, after many working years and in the absence of role models, they also dread "the transformation of a 'person' to a 'nonperson' " (Butler, 1967).

Saveth (1961) and many others have emphasized that our society has failed to utilize the intellectual and emotional capabilities of the retired. For example, Carp relates the following incident, typical of many similar:

> In 1960-61 (before Headstart) a group of retired schoolteachers in a housing project for the elderly in San Antonio, Texas, wanted to start a preschool program.

TABLE 16.–ATTITUDES TOWARD RETIREMENT BY AGE GROUP

[Percentage distribution]

Attitude[a]	Age of family head		
	35-44	45-54	55-64
Look forward to retirement; enthusiastic . .	51	54	48
Mostly look forward	5	7	7
Both pro and con; mixed	10	8	8
Dread retirement	17	19	23
Not going to retire	8	8	6
Not ascertained; do not know.	9	4	8
Total	100	100	100

[a] Based on answers to the question: How do you feel about (head's) retirement, is it something to be looked forward to, or is it to be dreaded, or what?

Source: Katona, 1965.

> Most children in the neighborhood entered first grade knowing no English, and the exteachers were aware of the handicap this imposes. All volunteers were in good health and seemed competent. They wanted no pay. However, no person or organization in the community would help them find spaces or contact parents (Carp, 1969).

Asking the question, "What is retirement for?" and then discussing several specific reasons for retirement, Belbin came to the following conclusion:

> We believe, therefore, that retirement is being used increasingly as a means of getting rid of people in late maturity for one reason or another. We believe that the current attitudes of society to those in retirement are simply amplifications of attitudes already evident toward many in middle maturity. Middle-aged workers are valued in occupational life when their past work experience is directly related to current needs. But when current needs make new demands, the middle-aged worker is rejected because of his presumed lack of adaptability (Belbin, 1969).

In view of our attitudes toward retirement, how well do retirees adjust? An increasing proportion of the retirees – particularly those who are younger, retired earlier, and/or are better off economically – do well. Yet for the many retirees who are frustrated the rewards and satisfactions derived in middle maturity from an advancing career and income, community involvement, children, etc. decline in later maturity. In this regard, Greene and Pyron (1969) report that the retirees in their study "appeared to have adjusted rather quickly after retirement (57 percent in a few weeks), but a surprising 26 percent reported still not being used to not working. About half of the group were satisfied with the timing of their retirement, while 25 percent reported they wished they had retired earlier and an equal percentage wanted to go back to work."

Many researchers have investigated how the aged view and use leisure time. Beyer and Woods (1963), surveying 5,000 OASDI beneficiaries in 1958, found (1) that idleness constitutes a considerable portion of aged time and (2) that the other aged activities might be best described as providing relaxation and diversion but involving very little self-development or service to others. Hoar (1961) has concluded that the recognition, acceptance, and meaningful use of "free time" by older Americans is a major social problem.

Morgan, et al. (1962) studied the notion of retirement held by individuals who are not yet retired. Two-thirds of the non-retired aged 30 and above had no plans for what they would

do during retirement. Similarly, in another national sample of those aged 55 and above who were intending to retire, 49 percent had planned little or not at all; only 15 percent had planned a great deal (Institute of Life Insurance, 1964).

In contrast, note the recent findings from the "three country study."

> In both Denmark and Britain men see the period of retirement as a time when one does nothing or when one rests after a lifetime of work. In the United States men see the retirement period as a time for activity, and Americans in retirement enjoy their "free-time" activities or various leisure-time pursuits. In fact, the data suggest that activity is so highly valued by older Americans that the pastimes of retirement take on the aspects of work. . . .
>
> . . .disinterest in work cannot be attributed solely to lessening strength associated with advanced age. Rather, there would seem to be a critical turning point, at which a man ceases to think of himself as a potential worker and instead accepts his role as one who is retired (Shanas, et al., 1968).

In conclusion, the prevalence of a negative attitude toward aging and retirement and the absence of clearly defined role models for the later life stages seems to put an unnecessary and costly burden on society and the individual. The associated conflicts cause wear and tear and lower the adaptability and resistance of the individual to other stresses, thereby increasing physical and mental illness. By the same token, the seeming inability or unwillingness to better use the experience, skill, creativity, and leadership of the retired may be considered an unwise social investment practice.

G. THE DESIRE FOR LEISURE

Since the turn of the century the United States has witnessed a tremendous growth in leisure. Increased productivity has allowed the nation to cut the average workyear by an estimated 1,220 hours between the period 1890 - 1960 (Kreps and Spengler, 1966). This drop in working hours has resulted in establishment of the 8-hour day, increases in compensated holidays, extended vacations, introduction of sick leave, allowance for clean-up time, establishment of coffee breaks, etc. Obviously the individual would probably not consider all of this rise in nonworking time to be as "leisure." Also, in estimating the additional leisure available to today's worker, one must make allowances for increased time spent commuting, actual sickness, military duties, etc.

In addition to rising productivity, increased life expectancy has led to a substantial growth in free time. Of the 18 to 19 years of added life expectancy since 1900, nine of these added years on the average are spent outside the labor force. Again, the individual would not consider all of the added 9 years to be leisure; an expected four out of the nine years are spent receiving education and training for later productive roles. However, given the high incidence of early retirement in recent years, increasing numbers of Americans are adding additional years to their retirement period.

The combined effects of increased life expectancy and productivity on the amount of time allocated to work in 1900 as contrasted with 1960 are quite impressive. On the average, a male born in 1900 would have "worked" 18 percent of his life; in contrast, a male born in 1960 would spend only 14 percent of his life working (holding 1960 conditions constant for the period of life expectancy). Furthermore, arbitrarily assuming that 40 percent of one's life is spent asleep, the shift in time allocated to work is even more pronounced – from 30 percent to 23 percent. In other words, 7 percent more time is available for economically nonproductive activities, including leisure.[2]

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[2]Economically nonproductive activities generally refer to activities that receive no remuneration. This does not mean, however, that these activities are not socially or personally useful.

For many individuals the increased time free from work has posed certain personal problems.[3] According to Mead, Americans traditionally have believed that leisure should be earned if it is to be enjoyed. Since the Second World War, however, this attitude may have changed for many. "As once it was wrong to play so hard that it might affect one's work, now it is wrong to work so hard that it may affect family life" (Mead, 1957). It is rather difficult to realize the extent of this attitudinal change and to estimate how the nation overall, as well as individuals in certain groups and classes, have adapted to increased amounts of free time.

At this point, an important question can be raised. Is there a genuine desire for more free time, or do current trends reflect an attempt by business and labor leaders to create work opportunities for the unemployed? Many unions have argued that the workweek and the workyear are too lengthy as long as there is unemployment. On the other hand, Brooks observed in 1956

> Aside from the workers' desire for their paid holidays and paid vacations, there is no evidence that workers want shorter daily or weekly hours. The evidence is all on the other side. Hundreds of local and international officials have testified that the most numerous and persistent grievances are disputes over the sharing of overtime work. The issue is not that he has been made to work, but that he has been deprived of a chance to make overtime pay. Workers are eager to increase their income, not to work fewer hours (Brooks, 1956).

Has the attitude of most workers changed since Brooks made this observation?

There are two choices to be resolved — greater leisure versus greater income and when that leisure will be available, i.e., in what form. For example, a shorter workweek may have less utility to the worker than a longer vacation. And leisure in early retirement may have the least utility of all types of leisure — except, of course, for the free time associated with unemployment. The form of leisure determines its time-distribution over the life cycle; this constitutes, therefore, an important social choice.

To analyze the implications of these choices on retirement, Kreps and Spengler (1966) projected economic growth under various alternatives for leisure. The extremes of the spectrum of alternatives are discussed below. The basic assumptions were (1) that the 1965 GNP would grow 4.1 to 4.2 percent annually, (2) that the population would increase by 1.5 percent annually, and (3)) that unemployment would average 4.5 percent. In the extreme case that assumes a constant per capita GNP at the 1965 level and that all output is taken in some form of leisure, the U.S. in 1985 could "select" one of the following possibilities: (1) the workweek could be reduced to 22 hours, (2) workers could retire at the age of 38, or (3) workers would need to work only 27 weeks of the year.

Instead of focusing on work or retirement, society could choose more education; for example, 45 percent of the labor force could be kept in training or retraining or the present prework education period could be increased by 17 years. Combinations of these possibilities are possible, of course. In another extreme example of the potential for growth, 1965 work conditions can be held constant. This assumes that there would be no change in the length of the workyear until 1985. Under these conditions, the projected Gross National Product in 1985 would be 2.5 times its 1965 level, and per capita GNP would be 1.8 times its 1965 level.

Between these two extremes of either all output or all leisure, combinations of both are possible, and in allocating leisure, society can choose either one possibility or a combination of several forms of leisure, as has been indicated above. As far as retirement is concerned, Kreps comments:

> In allocating to the retirement period an increasing portion of our leisure time, we have in this country magnified the difficulties of maintaining adequate incomes in old age. By contrast, a more even distribution of free time through the worklife minimizes the problem of transferring income claims from workers to nonworkers.

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[3] With regard to leisure in retirement, see also the Section III, F. Attitudes and Roles.

There is some question, also, of the value of leisure conferred in old age (particularly if it is accompanied by sharply reduced incomes). Whereas free time during worklife might have great utility, any significant movement toward early retirement may confer leisure — supposedly a superior good — in such a way as to reduce its utility substantially (Kreps, 1966).

H. INSTITUTIONAL CONSTRAINTS

In the previous sections, factors influencing the retirement decision were discussed. In this discussion it was tacitly understood that the older worker planned to retire vis-a-vis a number of institutional constraints which were beyond his immediate power to alter and, in some instances, beyond his immediate ability to recognize. Such constraints certainly influence the retirement decision and life in retirement, even though the influence may not be immediately obvious in some instances. The purpose of this section, therefore, is to point out some of the constraining factors that influence work opportunities for older workers.

It is a fairly obvious proposition that the lack of employment opportunities for the older worker may lead to a state that resembles retirement. As a matter of fact, in several surveys, people willing to work but unable to find jobs often resign themselves to retirement status. Unfortunately, retirement in these cases becomes confused with unemployment or underemployment. Before discussing factors influencing the work opportunities of older workers, therefore, it is necessary to clarify the distinction between unemployment/underemployment and retirement.

The satisfactions derived from leisure are gains to the individual that are often excluded in "cost-benefit" thinking. The benefits of leisure, however, are of invaluable help in defining the difference between retirement and unemployment. In a first step to conceptualize this difference, Ayers Brinser (1966) made an effort to define retirement as a ratio of voluntary expenditure of time to involuntary use of time. An individual's state — be it employment or leisure — is considered voluntary when the rewards of this state are, at least partially, satisfaction as a result of the individual's efforts while in this state. Employment, for example, is voluntary when it includes satisfactions other than wages; otherwise it is involuntary. Similarly, leisure is considered involuntary when it consists of enforced idleness as a result of sickness, for example.

The ratio between voluntary and involuntary states serves as an indicator or index of welfare derived from retirement. A ratio greater than one indicates that more time is spent in voluntary states than in involuntary ones; this is an indication of retirement. A ratio less than one indicates unemployment or underemployment. Retirement is typically characterized by the benefits outweighing the costs; unemployment or underemployment is just the reverse.

1. Obsolescence of Skills and Unemployment[4]

With advanced production processes and increased productivity, many long-established industries have witnessed a gradual decline in employment. Coal mining, railroads, and agriculture are just a few examples of industries in which millions of workers have been displaced over the last twenty years. While new positions in these industries have no longer been made available and workers with less seniority have been laid off, older workers have remained generally employed, leaving these industries with a concentration of older workers (Wirtz, 1965). Similarly, older workers have been more widely employed in textiles, leather, apparel, footwear, and food industries than in the fairly recent and fast growing industries such as electronics, spacecraft, etc.

Many skills developed in the old established industries cannot be readily used in the "new technology" industries. This incompatibility of skills has become a problem to the older

[4] For additional information, see the Background Paper on "Employment."

worker when many of the old established industries have shifted their locations from the Northeast, Middle Atlantic, and North Central States to the Southeast, Southwest, and West. There has followed an increasing population in these areas in search of new markets and occasionally a lower cost structure. Consequently, many older workers have been left behind with little hope for new employment. The difference in the occupational composition of the "new technology" industries in comparison with those in which the older workers had been employed has made their re-employment difficult. Adding to the re-employment problem, many of these new industries, especially defense-related industries, have also located in the Southeast, Southwest, and West. Thus, modern technology and geographical relocation of industries has left behind a large number of older workers whose skills have become obsolete.

The employment opportunities for workers age 45 and above are best at times of high economic activity. During these periods of strong demand for labor, employers are generally more willing to train the older workers and to change job requirements to suit their needs and abilities.

In recessions, older workers are usually better off than those who have been hired recently. Seniority and work experience protect them from being laid off immediately. Nevertheless, among the unemployed during these periods are many workers above the age of 44, who find it very difficult to be employed again in subsequent periods of recovery.

2. Pressures to Retire

2.1 OASDI Minimum Retirement Age Provisions

In addition to facilitating retirement, a pension program may actively encourage or discourage retirement at various ages. It is generally recognized, for example, that the major reason for support of Social Security legislation in the United States in the thirties was the desire to encourage older workers to retire and thereby to mitigate some of the widespread unemployment existing at the time.

There is now little question that the establishment of age 65 as the minimum age for unreduced OASDI retirement benefits is today one of the most important factors influencing the age of retirement. Participation in the work force by men drops dramatically at age 65. For example, male labor force participation currently drops from about 90 percent for ages 55 to 59, to about 80 percent for ages 60 to 64, to about 35 percent for ages 65 to 69.

In addition to making benefits available to workers who are considering retirement, OASDI "sets the pattern for private and for State and local government retirement plans and, more generally, . . .conditions both employer and employee attitudes toward 'normal' retirement age" (Pechman, et al., 1968).

The introduction of an early retirement option for women in 1956 and for men in 1961 has had an independent but major effect on work force participation. As indicated in Section III above, application for early retirement benefits, i.e., reduced Social Security benefits, has been very large. Apparently, however, not all these applicants are primarily motivated by a personal preference for retirement. "Persons who are age 62 at entitlement include a substantial number who presumably would have filed earlier if retirement benefits had been payable at an earlier age. Twenty percent of the men in this group had not worked for 12 months or more before they claimed benefits; a sixth of those claiming benefits at age 62 who were not employed at the time of interview had not worked for at least three years" (Merriam, 1970).

Periodically, bills have been introduced in the Congress seeking to reduce the initial eligibility age for Social Security benefits from the present age 62 to age 60. It is proposed that the benefits be actuarially reduced, based on the number of years payment began before age 65. There are at least three major costs associated with such a solution. First, by encouraging and, in some cases, forcing workers to retire early with reduced Social Security benefits, the resulting retirement income may be seriously inadequate. Second, there is the loss in real output arising from the consequent reduction in the labor force. Third, by institutionalizing

age 60 as the initial eligibility age for Social Security, Congress may, in effect, be setting a guideline that would tend to push the normal age of retirement lower for private pensions; the costs of lowering the normal age of retirement are discussed in Section V. Issues.

2.2 Mandatory Retirement Provisions in Private Pensions

Information on current industry practices with regard to compulsory retirement is not extensive and also is not up-to-date. The National Industrial Conference Board, defining compulsory retirement as policies that result in less than 5 percent of employees being retained by a company beyond the age of 65, reported that in 1961 close to 60 percent of companies surveyed "(at a minimum) [had] compulsory retirement at 65, regardless of individual ability to handle assigned work satisfactorily" (Fox and Kerpen, 1964).

Another study (Slavick, 1966), using a different "retirement age policy" classification system, found compulsory retirement practices operating in about two-thirds of the companies that had a formal pension plan; companies without pension plans typically had flexible retirement age policies.

2.3 Pressures to Retire Early

It is extremely difficult to assess whether management actively encourages or even pressures workers to retire early. The evidence is rather scant. In a major survey of early retirement company policies, Greene and Pyron (1969a) found that 186 companies (93 percent) of 200 nationally surveyed companies had early retirement provisions. Forty-one percent of these companies had initiated their programs between 1948 and 1958, and 26 percent had their programs established prior to 1948. The fact is that the overwhelming proportion of private pension plans now contain provisions for early retirement. A survey of plans (U.S. Bureau of Labor Statistics, 1970) found only 15 percent of surveyed plans without such provisions in 1969. Minimum age requirements for early retirement eligibility vary from age 50 to age 62, with the most common requirement being a minimum age of 55. Minimum service requirements are present in most plans, varying from 1 to over 30 years; most plans have minimums between 10 and 20 years.

More than half of the reporting companies in the Greene and Pyron study indicated that early retirement had substantially increased over the last decade. Also, the number of early retirees increased with the size of the company. When directly asked about their retirement policies, 17 percent of the companies said that they encouraged early retirement (5 percent discouraged it) and 76 percent reported a neutral policy. Among those allowing (not encouraging) early retirement, slightly less than half offered financial incentives, mainly in the form of supplemental pension benefits until the Social Security payments took effect. Other forms of incentives were one-time cash settlement (9%) and full pension as if retired normally (25%).

The questionnaires on company policy were usually filled out by corporate financial officers who were in positions of decision-making power relative to retirement policies and procedures. In answer to the open-ended questionnaire, five areas of concern were frequently voiced by management. Generally speaking, management was concerned with (in order of frequency):

(1) The effect of early retirement on the social, psychological, and financial well-being of the individual.

(2) The effect of early retirement on the company's competitive position and operating effectiveness.

(3) The lack of knowledge on which to base retirement policies and programs.

(4) The lack of a broader understanding of the effects of early retirement on the economy and society, especially during inflationary periods.

(5) Ambivalence about encouraging or discouraging early retirement.

TABLE 17.–CO-WORKERS, COMPANY, AND UNION ATTITUDE TOWARD EARLY RETIREMENT

[Percentage distribution]

Attitude	Co-Worker	Company	Union
Encouraged	28	15	14
Discouraged	18	20	4
Neither encouraged nor discouraged	46	62	82
No response	8	3	–
Total	100	100	100

Source: Adapted from Greene and Pyron, 1969a.

Greene and Pyron also directly asked workers about management, union, and co-worker attitudes and pressures. "The majority of early retirees reported that their co-workers, the company, and the union maintained a neutral attitude and neither encouraged nor discouraged the decision." Forty-six percent said their co-workers were neutral; 62 percent said the company was neutral; and 82 percent said the union was neutral (See Table 17.).

On the other hand, studying "company-initiated early retirement as a means of work force control," T. J. Fields concluded:

> We are confident that involuntary early retirement was practically nonexistent before 1956. Based on the frequency of its use, and the number of employees retired under it during the six-year period under study, our prediction is that the practice will become more prevalent in industry and commerce – 90 percent of the firms having the plan have used it, where only 15 percent of companies using the plan expressed dissatisfaction with it.
>
> Most employers in our case studies, especially those who used early retirement to sharply cut the numbers in the work force, did so under a cloak of voluntaryism. This is understandable and perhaps commendable. Wilfred Brown points out that most managers tend to shrink from judging the work of their fellow human beings. They are faced with the fact that their decisions in such circumstances may have considerable bearing not only upon the future of subordinates, but on the fortunes of their homes and families. These considerations set up emotional barriers difficult for managers to overcome. One way around these barriers is to make it possible for employees to voluntarily do what employers want them to do. This in effect is what some employers in our case studies did. They offered a special early retirement "opportunity" to everyone who was of a certain age and had acquired a specified minimum years of service in the organization. At the same time they advised that other action less favorable from the point of view of the majority in the work force would be taken if the necessary work force reduction was not accomplished by means of early retirement. This action brought both managerial and fellow employee pressure, including union pressure – where there were unions – upon the eligible individual to retire early (Fields, 1963).

3. Age Discrimination in Employment

Saveth (1961) and Butler (1966), to name a few, have emphasized the importance of matching social and personal needs of continuity and legacy in the later life stages. (See

Section III, F. Attitudes and Roles.) Their observations certainly apply not only to the retired but also to the older worker. Practices commonly summarized under the term "age discrimination in employment" can be considered a paradigm of such need deprivation, with ensuing social cost and individual hardship. These unnecessary consequences have been spelled out in detail (Wirtz, 1965) and are summarized as follows:

(1) Social consequences.

Approximately one million productive man-years are not utilized each year because workers over 45 are unemployed; many more productive years are lost because of forced, compulsory, or automatic retirement. Though the social cost, e.g., in the form of lost inventions, ideas, leadership, etc., cannot be estimated, approximately one billion dollars of unemployment insurance payments annually can be attributed to unemployment due to age. The potential loss of production might result in two or three times the unemployment insurance payments attributable to discrimination.

(2) Individual consequences.

Compared with workers below the age of 45, the older worker is disadvantaged in several respects. He is more likely to be unemployed and, in addition, to be unemployed on the average 8 weeks longer than the younger worker. This average of 8 weeks is considerably influenced by long-term unemployment (over 27 weeks), which often ensues in a qualitatively different kind of disadvantage – deterioration of skill, obsolescence of skill, reduced motivation, increased frustration, and subsequently reduced acceptance by potential employers.

In 1965 the nation was made aware of the extent and nature of discrimination toward older workers. In a report to the Congress, then Secretary of Labor Willard Wirtz (Wirtz, 1965) pointed out that the most obvious form of age discrimination in employment took the form of employers' policies not to hire any person over a certain age. At that time more than 50 percent of all employers were applying such limitations and, as a consequence, about half the available job openings were closed to applicants over 55 years of age (and 25 percent were closed to applicants over 45).

Since June 12, 1968, the Age Discrimination in Employment Act has protected individuals between 40 and 65 from age discrimination in employment in matters of hiring, discharge, compensation, and other terms, conditions, or privileges of employment. The period of time since its enaction is too brief for an evaluation of its social and individual implications.

4. Social Security Retirement Test

The purpose of the retirement test – when initially introduced – was to restrict benefits to persons without earnings in retirement. In the 1940's benefits were suspended for every month in which the beneficiary had earned more than $14.99 in employment. Consequently, many observers had the impression that the test discouraged workers from holding jobs because they did not want to lose benefits and that it was inconsistent with the initial intent of Congress, which had been to encourage aged workers to retire and thereby alleviate unemployment among younger workers. However, the original test has been liberalized. Its effect on the employed beneficiary has changed and is now less clear.

At the present time no benefits are withheld for any month with earnings of $140 or less. Benefits are reduced $1 for each $2 of earnings between $1,680 to $2,880 annually and $1 for each $1 of earnings above $2,880 annually. At the age of 72 the test no longer applies.

To determine the effect of the test on the work and earnings of retirees, Sander (1968) analyzed the Social Security Administration's "one percent continuous work history sample" of 1963. The 1963 test resembled the current test; however, the limits were $1,200 and $1,700, respectively, instead of $1,680 and $2,880. Sander found that the lower limit had a marked effect on beneficiaries' earnings. The income of 61 percent of all working beneficiaries aged 63 to 72 stayed under the lower limit; the majority of earnings were in the $1,000 to

$1,199 income group. Above the lower limit, no particular difference was found between those below and those above the upper limit. Similar findings were reported by Gallaway (1965).

Both Gallaway and Sander pointed to the fact that the test has another adverse effect on the earnings level and marginal pay rate of those beneficiaries subject to it. Under the current provisions the disposable income can be increased by the after-tax amount of the first-earned $1,680. Above this amount up to $2,880, the 50 percent cut and taxes reduce the beneficiary's marginal pay rate by approximately half. Above $2,880, due to taxes and reduced benefits the beneficiary will find himself with less disposable income than he would have received if his earnings had stopped at $2,880 (i.e. he works at a negative marginal pay rate). This situation ends when a worker receives sufficiently large earnings to cause him to lose all entitlement to Social Security benefits.

Unlike a number of foreign social security systems, the United States system does not directly encourage workers to continue working by paying permanently increased benefits to late retirees. Writing in support of such a provision, Pechman, et al. observe:

> The delayed retirement credit would provide direct, tangible, monetary incentives for aged persons to continue work. When jobs were available, an aged worker could enter the labor force with the knowledge that any temporary loss in OASDI benefits because of the earnings test would be fully compensated by higher benefits when he again left the labor force. If the delayed credit were effective in encouraging mobility in and out of the labor force, the cyclical flexibility of the total labor force in the economy would be enhanced. Aged workers would be a source of additional skilled manpower when labor was scarce, but could leave the labor force at will to receive retirement benefits when job prospects were less attractive. The delayed retirement credit could be combined with exemption from OASDI payroll taxes after age 65 to make work for the aged much more remunerative than at present (Pechman, et al., 1968).

Liberalizing the retirement test has been condemned by many people as a reform that would help people with high incomes at the expense of those with little income. This is, of course, true if one is talking about complete elimination of the test. It is not true if the test were to be liberalized in such a way as to allow only those persons with low or moderate earnings to work part-time in retirement to supplement their pension income.

Alternatively, Pechman, et al. (1968) have suggested that workers over age 65 be exempted from paying OASDI payroll taxes. Exempting the employee's share of the payroll tax would make work more attractive by raising his take-home pay.

IV. THE PRESENT SITUATION

A. PUBLIC AND PRIVATE RETIREMENT PENSION PROGRAMS[5]

During the postwar period significant changes in retirement security have taken place in the United States. Social Security eligibility has now been extended—along with higher benefits—to all but a very small minority of the regular work force; the number of people under private pension plans likewise has mushroomed, as have the assets of such plans, and Medicare has become a reality.

In 1950, 21 percent of the population aged 65 and over were receiving Social Security benefits. By 1967 the percentage had risen to 90 percent and is expected to continue to rise. There are two major reasons for this. First, the number of aged workers—and their spouses—who retired in the thirties before becoming eligible for Social Security in covered industries is declining and is becoming a smaller proportion of the total aged population. Second is the series of Social Security amendments that went into effect in 1950, 1954, 1956, and 1965. These revisions extended coverage to regularly employed farm and household employees, self-employed persons (including physicians), State and local government workers, employees of nonprofit organizations (by special arrangement), farm operators, and members of the Armed Forces.[6] More recently, in addition to this extended coverage, Social Security provisions have been changed to liberalize work requirements, creditable earnings, and the general benefit structure.

Major changes have also taken place in the United States with regard to private pensions. In 1950, 9.8 million workers were covered by some type of private pension or deferred profit-sharing plan; in 1965, more than 25.4 million workers were covered. At the same time the number of private pension beneficiaries rose from 0.45 million to 2.75 million. By 1968 private pension coverage had been extended to 28.2 million and beneficiaries rose to 3.8 million (Kolodrubetz, 1970).

Of course, the development and growth of pension plans in the United States has important implications for retirement and also for the transition into retirement. Pension plans often make it possible to retire and also affect satisfaction in retirement by providing a major substitute for the loss of earnings after full-time work stops. In addition, pension plans through various types of provisions, rules, program devices, etc. can either encourage or discourage workers from retiring at various ages. The sections below look at the present situation with regard to pension plans, surveying the extent to which they facilitate and thereby encourage retirement.[7]

1. Pension Coverage and Benefit Levels

Initial findings of the 1968 Survey of the Aged indicate the major role played by pension programs in providing income for the aged.

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[5] Pension programs are also discussed in the Background Paper on "Income." The focus in the present paper is on how pensions influence the retirement decision. The adequacy of pension programs, and other aspects, are not discussed extensively.

[6] All gainfully employed workers are now covered by social security except (1) some government employees with other retirement coverage, (2) farm and domestic workers who are not regularly employed, and (3) self-employed persons who have very low incomes.

[7] Pension program factors that encourage or force workers into retirement are discussed in Section III, H. Institutional Constraints.

Clearly, benefits under the OASDHI program are crucial for the support of the aged population. More than four-fifths of the aged units were drawing a regular benefit at the end of 1967 and another 5 percent drew a "special age-72" benefit. In aggregate, OASDHI benefits accounted for more than a fourth of the total money income received in 1967 by those aged 65 and older and their younger spouses, after account is taken of the estimated total income from assets and employment that was received by very high-income units. If the 1968 and 1970 benefit increases had been in effect and income from other sources had remained the same, OASDHI would have accounted for about 30 percent of an enlarged total (Bixby, 1970a).

The data. . .show that 19 percent of all married couples with one member aged 65 and over had private pension payments in 1967. Seven percent of the married-couple units in the survey received supplements to their OASDHI benefits through other public retirement programs (railroad or government employee plans); only 3 percent of the married couples received retirement benefits solely from such public retirement plans. Thus, for 62 percent of the married couples OASDHI was their only source of periodic retirement benefit. About 10 percent of the units did not receive retirement benefits of any type but relied mostly on employment as their source of income. The same general pattern of source of retirement benefits prevailed for aged single men and women (Kolodrubetz, 1970).

Beneficiaries that also received a pension as a former employee of a Federal, State, or local government or under the railroad retirement system appear to have been in a slightly better income position than those who drew a supplementary private pension. . . . *The significant difference, however, is between those with more than one pension and those with no pension or survivor benefit other than OASDHI [italics, mine].* The income distribution for beneficiaries with no other pension was very similar to that for beneficiaries with no work experience in 1967 (Bixby, 1970a).

Thus, the picture that one gets from the 1968 Survey of the Aged is one of a continued rising importance for pension income and, as would be expected, a steady upward trend in the proportion of aged persons with income from a second pension. The significance of the rise in second pensions should not be underestimated. Table 18 shows, for example, that there is a

TABLE 18.–TOTAL MONEY INCOME OF OASDHI MARRIED COUPLE BENEFICIARIES, TYPE OF PENSION BENEFIT RECEIVED AND INCOME GROUP, 1967

[Percentage distribution]

Income	OASDHI only	OASDHI and	
		Public	Private
$2,000 or less	29	5	2
2,000-2,999	27	14	17
3,000-4,999	26	49	48
5,000-9,999	14	27	27
10,000 or more	3	6	5
Total	100	100	100
Number reporting (in thousands)	2,665	299	692

Source: Adapted from Bixby, 1970.

striking contrast between the money income of OASDHI beneficiary couples with and without a second pension. For example, 44 percent of the couples with only OASDHI had incomes below $2,500, but only 7 percent of couples with OASDHI plus a private pension benefit had incomes this low.

However, the growing role of private pensions in facilitating retirement by improving the adequacy of retirement income raises a serious problem:

> While private pension plan coverage has grown rapidly and covers a little over half the employees in private non-agricultural industry, there is a sharp limit to their ultimate extension. There are large segments of industry for which it is hazardous to predict the establishment of pension plans. Small employers and highly competitive, marginal enterprises may feel that they lack the ability to pay for pensions; if their workers are unorganized, they may never set up plans. In many industries, job turnover may make individual employer pension plans virtually meaningless. Without a union to force the establishment of an industry-wide arrangement, it is difficult to imagine an unorganized construction worker being covered by a pension plan. Employment conditions in agriculture would have to be revolutionized before pension plans could be considered there as realistic possibilities (Tilove, 1968).

There has been some slowdown in the rates of growth of private pension coverage since 1960. This slackening indicates that a large proportion of the employed labor force is having difficulty in securing supplemental retirement protection, under the existing structure and operation of private pension plans. The most accessible groups are already covered, and future expansion must be in industries in which small business are prevalent. Current trends indicate that the vast majority of newly established plans are in this category.

The pension potential of workers currently without coverage has been classified by the U.S. Special Committee on Aging (1970a). The classification is shown in Table 19.

The segment of the work force where efforts to expand pension coverage appear most urgent is the private industry wage and salary worker group. Not only does this group represent nearly two thirds of all persons currently without coverage, it also is the category most likely to serve as the conduit through which the unemployed can utltimately be brought under private plans.

TABLE 19.–POTENTIALS FOR PRIVATE PENSION COVERAGE GROWTH

Pension potential	Number of workers	Description
Poor	5,322,000	Unemployed and unpaid family workers. As long as pension coverage is confined to the employment relationship, these groups are automatically excluded.
		Agricultural workers. This is perhaps the least likely of all working groups to attain pension coverage.
Fair	26,187,000	Wage and salary workers in private non-agricultural industries. Prospects for coverage actually range from "poor" to "excellent," but as a group their potential is only "fair" for reasons to be explored in later comments.
Good	1,987,000	Government workers. The mechanism for coverage is generally in operation, and it is only a matter of time before the group attains optimum coverage.
Excellent	7,086,000	Self-employed workers. Coverage for most of this group is a matter of self-determination.

Source: U.S. Special Committee on Aging, 1970a.

It is with this problem in mind, for example, that the President's Task Force on the Aging (1970) recommended in its report that President Nixon create a new "Pension Commission" and that this commission be directed to give high priority to enlisting "The ingenuity of the financial community in designing as a companion to the Social Security System a portable voluntary pension system."

2. Vesting

The adequacy of pension benefits in retirement, and hence the worker's ability and/or desire to retire, is influenced not only by whether he was covered by private pensions during his working life but by whether he actually receives a pension based upon such plan participation. Vesting refers to the provision in pension plans that guarantees those covered by the plan that they will receive all or part of the pension benefit for which they have qualified, whether or not they are working under the plan at the time of their retirement. Through vesting, the pension rights of otherwise qualified workers are protected whether the workers are discharged, furloughed, or quit voluntarily.

Typically, plan provisions set minimum age and/or minimum length of service requirements as qualifications for vesting. A plan may thus require that a worker have 10 or 15 years of service and be over age 40 before he acquires any vested right to a pension benefit. Although there is great diversity among the vesting provisions of private plans, two major types may be identified.

If a plan provides that an eligible worker retains full right to his accrued benefits once he meets the specified requirements — after age 40 and 10 years of service, let us say — then the plan is said to offer deferred full vesting. If a plan provides that a worker gains rights to a certain percentage of his pension benefits upon meeting the minimum age and/or service requirements and that his percentage of entitlement rises through the ensuing years of employment to an eventual 100 percent, the plan is said to offer deferred graded vesting. About 70 percent of those covered by plans with vesting have deferred full vesting (Landay and Davis, 1968). Nearly all the others covered by plans with vesting have deferred graded vesting; immediate full vesting is extremely rare.

In 1969 plans with vesting provisions covered 76 percent of all workers participating in plans with more than 25 participants (U.S. Bureau of Labor Statistics, 1970). This compares with 63 percent in 1967 and 59 percent in 1962. Table 20 shows the distribution of minimum age and service requirements prevailing among private plans in 1969.

More than one-third of all plan participants could receive a nonforfeitable right to a vested or early retirement benefit at age 40 with 10 years of service. By age 55, all but about 10 percent of the workers covered by plans who had 15 or more years of service under the plan would have a right to either a vested or an early retirement benefit.

The controversy over the adequacy of current vesting provisions and improvement trends continues. The arguments are illustrated by the following observations:

> (1) For the 3.3 million (1967) participants in contributory plans with vesting, the protection is pretty much illusory in view of the usual requirement that the exiting employee elect to leave his contributions behind, a choice seldom made. To those who argue that such an employee has no one to blame but himself I suggest: employees frequently do not know the greater value of the employer's contribution; the job-changing period often entails substantial needs for cash; and finally, if they think so highly of employee choice, let them try to run a fringe benefit program on a completely voluntary basis (Bernstein, 1970).
>
> (2) The overwhelming majority of those 45 million workers will not get a nickel of that money. No one will steal it from them; no one will trick them; and in most cases no one will terminate the pension plans prematurely. They will be out in the cold because the terms of their pension plans simply will not provide them with a pension. They will feel tricked because they were unwilling, and in most cases unable, to read

TABLE 20.—EARLIEST AGE AND ASSOCIATED SERVICE AT WHICH WORKERS CAN ACQUIRE A NONFORFEITABLE BENEFIT RIGHT UNDER THE NORMAL EARLY, OR VESTING PROVISIONS OF PRIVATE PENSION PLANS, 1969

Plan provision and minimum service requirement[a]	Percent distribution	Percent of active workers in plans with—									
		Total	No age requirement	Age requirement							
				Total	40 or less	Over 40 and under 50	50 and under 55	55 and under 60	60 and under 62	62 and under 65	65 and over
Normal retirement, early retirement, and vesting	100	100	42	58	19	4	9	10	5	2	9
Less than 5 years	2	100	38	62	5	--	3	32	11	--	11
5 to 10	37	100	67	33	15	4	3	5	3	1	2
11 to 15	36	100	20	80	36	5	15	12	3	3	5
16 to 20	17	100	28	62	1	5	10	16	8	3	30
More than 20 years	8	100	52	48	(*)	(*)	7	9	17	2	13
Normal retirement	100	100	6	94	--	--	--	3	8	14	69
Less than 5 years	21	100	--	100	--	--	--	--	3	2	95
5 to 10	35	100	--	100	--	--	--	--	1	33	66
11 to 15	16	100	--	100	--	--	--	(*)	3	5	92
16 to 20	18	100	1	99	--	--	--	12	30	2	55
More than 20 years	11	100	50	50	--	--	--	7	16	10	18
Early retirement and vesting	91	100	46	54	21	5	10	11	5	2	--
Less than 5 years	1	100	43	57	5	--	4	36	11	--	--
5 to 10	36	100	68	32	16	4	3	5	3	1	--
11 to 15	34	100	21	79	38	5	16	12	3	3	--
16 to 20	11	100	43	57	2	8	15	20	9	3	--
More than 20 years	7	100	61	37	(*)	1	8	10	17	2	--
Early retirement	87	100	9	91	--	--	3	63	20	4	--
Less than 5 years	9	100	1	99	(*)	2	4	71	22	--	--
5 to 10	25	100	(*)	100	(*)	--	1	69	27	2	--
11 to 15	23	100	(*)	100	--	1	2	73	17	7	--
16 to 20	12	100	1	99	--	--	3	64	19	13	--
More than 20 years	18	100	43	57	--	--	7	37	11	1	--
Vesting	77	100	51	49	25	5	8	10	--	--	--
Less than 5 years	1	100	82	18	12	--	6	--	--	--	--
5 to 10	34	100	74	26	17	5	3	2	--	--	--
11 to 15	30	100	26	74	44	5	19	6	--	--	--
16 to 20	9	100	43	57	2	9	16	29	--	--	--
More than 20 years	2	100	66	34	1	2	13	19	--	--	--
Deferred full vesting	67	100	50	50	27	6	9	9	--	--	--
Less than 5 years	(*)	100	93	7	7	--	--	--	--	--	--
5 to 10	29	100	73	27	17	5	7	3	--	--	--
11 to 15	26	100	24	76	50	6	13	7	--	--	--
16 to 20	9	100	43	57	2	9	16	30	--	--	--
More than 20 years	2	100	66	34	1	2	13	19	--	--	--
Deferred graded vesting	10	100	62	38	9	3	4	22	--	--	--
Less than 5 years	(*)	100	67	33	19	--	13	--	--	--	--
5 to 10	5	100	77	23	15	2	6	--	--	--	--
11 to 15	4	100	40	60	1	3	1	54	--	--	--
16 to 20	(*)	100	69	31	--	31	--	--	--	--	--
More than 20 years	--	--	--	--	--	--	--	--	--	--	--

[a] The term service as used in this table is defined to include preparticipation service. The distribution includes 1,010 plans, with 2.3 million workers, that provide vested rights as shown in the table only in the event of involuntary separation (including continuous layoff); almost all of these plans also provide for the attainment of nonforfeitable rights, prior to normal retirement, in the event of voluntary separation. In such cases, the eligibility requirements are typically more stringent than those for involuntary separation. Plans which provide for special early retirement—essentially those providing for early retirement at the employer's request with an unreduced or higher than normal retirement benefit are excluded from this table.

* Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals.

Source: Davis and Strasser, 1970.

and understand the terms of those plans – and I suggest to you that the supposition that additional disclosure requirements will somehow make them aware of their impending economic disaster is simply a delusion. Pensioners and pension participants are not stock brokers, not underwriters, not sophisticated investors (Frank Cummings, 1970).

(3) If vesting were to be a matter of legislation, I feel sure it will slow down the establishment of new plans and the improvement of existing programs. It obviously will mean less flexibility, in that employees and employers will be forced to settle for vesting when perhaps other provisions such as early retirement would be more important. It will give an unfair advantage to the employer with an unfunded plan since the proposals probably cannot require vesting in such plans (Lane, 1970).

(4) It is true that, by and large, the plans which burgeoned in the 1950's gave first attention to the needs of the superannuated and the older workers. That made good sense – the use of limited resources for the most urgent need.

With successive waves of improvement, the next most important purposes are being served – vesting to meet the desires of the younger workers; survivors' pensions and other death benefits to meet the needs of widows. This is a simple history of first things first (Tilov, 1970).

(5) . . .the fact that the percentage of actives eventually getting benefits is a very small number for some particular plans (it's only 2-3 percent in the case of group life insurance plans) is merely indicative of the flexibility of the pension tool under which a given sum of money can be allocated to as small a group of people as may be necessary or desirable in order to provide meaningful benefits. This doesn't prove that somebody is being cheated; it may suggest that the particular employer hasn't had his share of cost-plus government contracts (Jackson, 1970).

Estimates indicate that some approaches to mandatory minimum vesting requirements would not be expensive. The President's Committee, for example, estimated that deferred full vesting after 20 years of service would seldom add more than 6 percent to the cost of providing normal retirement benefits at age 65. Deferred graded vesting, with at least half the accrued normal retirement benefit vested after 15 years of service and full benefits after 20 years, would seldom add more than 8 percent to plan costs. S.3421, which was considered by the 90th Congress, would have required full vesting of regular retirement benefits after 10 years of service, excluding years of service prior to age 25. The Department of Labor estimated in 1968 that this requirement, which would immediately cover some 10 million workers, would cost one-third of the private pension plans nothing or at most an additional 3 percent. About one-fourth of the plans would be faced with cost increases of between 3 and 6 percent. Less than half of the plans, most of which lack any vesting provisions, would incur costs greater than 6 percent (U.S. Committee on Labor and Public Welfare, 1968).

It has long been contended that many workers change jobs unaware that they have gained vested rights to a pension benefit. When they qualify for its payment by reason of age, perhaps many years later, they may fail to apply for their pension benefit. This failure to collect their vested benefit may improve the actuarial status of the private pension fund and slightly lower the plan's true costs, but it works a hardship on the retiree and perhaps increases the need for Old-Age Assistance or other similar payments.

A solution, which has been proposed as far back as the 1961 White House Conference on Aging, would be to require private plans to report acquisition of vested benefits to the Social Security Administration when, for example, wage payments and tax collections are reported. The fact of vesting could then be noted on the individual wage records maintained by the Social Security Administration and then reported to the worker when he applies for his public retirement benefit. This procedure would, of course, amount to the designation of the Social Security Administration as a clearinghouse for information about eligibility for private pensions and would thus be a step toward full portability of pensions.

3. Survivors Benefits

A task force report, "Economics of Aging: Toward a Full Share in Abundance," emphasized that widows and other aged women living alone are currently a particularly economically disadvantaged group. "Six out of every 10 of them have incomes below the poverty line. In fact, the number of poor women living alone has actually increased over the years—from 1.8 million in 1959 to 2.1 million in 1966—a reflection of the increasing number who live independently even at the prime of proverty" (U.S. Special Committee on Aging, 1969).

The key role that could be played by public and private survivor benefits is indicated by a recent study (Loren and Barker, 1968). The study surveyed UAW union members and their survivors and found that total resources available to survivors were inadequate for long-term needs. More importantly, they found that without group survivors benefits, vast numbers of survivors would be virtually destitute. About 75 percent of the surveyed UAW families had financial resources at the worker's death of less than $3,000; approximately half of the dependent surviving units had little or no net assets to supplement survivor benefits or work income.

Detailed data on the operation of group plans other than that for UAW employees are sparse; the general information that does exist clearly suggests that private pension plans are contributing very little to the income maintenance of persons who survive after a worker's death. In some private plans the worker himself must directly bear the entire burden of protecting his spouse; he must elect a reduction in his retirement pension to cover the actuarial cost of a survivor's benefit for his spouse. Apparently few workers, for various reasons, exercise this option. Other plans automatically continue benefits to survivors after the death of, in some cases, the active worker or in other cases, the retired worker.

A Bureau of Labor Statistics study of plans that had the automatic survivors feature in effect during the winter 1962-1963, found the following:

> Death benefit provisions. . .were found in a third of the pension plans covering slightly more than a third of the workers. . .while about equal proportions of single-employer and multi-employer plans had them, a somewhat higher percentage of workers in multi-employer plans had this added protection. . . .
>
> The industry patterns of death benefit provisions showed wide differences. Plans in manufacturing industries had the lowest prevalence of death benefits; less than 30 percent of the plans and workers. . . .In contrast, in communications and public utilities, a third of the plans with over two-thirds of the workers had them, chiefly because they were provided by all of the telephone company plans. Because several large Teamster plans had death benefits, almost 30 percent of the plans with over half the workers in the transportation industry had this protection. In finance, over half the plans with a slightly lower proportion of workers had a death benefit. In the mining industry, because the Mine Workers' plan provides death benefits from another part of the welfare and retirement fund, only a limited number of workers were in plans with survivor protection. While only 30 to 40 percent of the workers in construction, trade, and service industry plans were in plans with death benefits, the proportion was greater than in plans in manufacturing industries (U.S. Bureau of Labor Statistics, 1966).

In the Bureau of Labor Statistics *Digest of 100 Selected Pension Plans Under Collective Bargaining* (Spring 1968) we find more up-to-date information on a smaller group of plans, which "were selected because they illustrated different approaches to pension planning, or because of widespread interest in the plan, as manifested in inquiries received by the Bureau." Of the 100 plans surveyed, 44 percent made provision for a death benefit before retirement and 43 percent after retirement.

Thus we find even in this "unrepresentative" group of plans—a sample which overrepresents the bigger firms with the "better" pension programs—that only 44 out of 100

plans have automatic death benefits. More important, however, is the information summarized in Table 21, which shows the nature of the death benefit after retirement; survivor benefits paid when death occurs before retirement are not tabulated but are often similar.

The most common kind of death benefit is to pay a monthly payment to the survivor but only for a 6 month to 5-year period. After that, benefits cease entirely, ignoring the fact that the survivor's living expenses continue and no doubt increase over time.

Another common survivor's benefit is one that appears in plans where the employee has made previous contributions to the pension fund; usually this contribution is about 2 to 3 percent of his salary. The survivor benefit merely returns the employee's contribution to his survivor, together with the interest accrued on it.

The third common type of survivor's benefit is a lump-sum payment. The amount paid most frequently by firms using this plan is $1,000 to $3,500.

The least common type of death benefit is one that gives the survivor a benefit that is some percentage of the normal retirement benefit of the retiree. Table 21 shows that three plans pay benefits that are 90 or 100 percent of the normal benefit. Even these generous death benefits, however, are usually reduced as a result of any previous benefits paid to the retiree before his death.

In addition to survivor's benefits many firms also provide life insurance benefits to their employees. The value of this insurance at death varies widely, but based upon a selected group of plans surveyed by the Bureau of Labor Statistics, we see that the value of coverage varies from a low of about $1,000 to a high of $6,000, with a few exceptions below or above this range. Unfortunately a number of these insurance benefits are reduced substantially at age 65. For example, insurance in the auto industry (during 1966) is reduced 2 percent monthly until it equals 1½ percent of the amount in effect immediately prior to initial reduction multiplied by the years of coverage up to 20 years. In another example, among many tobacco workers the life insurance benefit is reduced 10 percent at age 65 and reduced by a like amount on each of the next four succeeding birthdays.

TABLE 21.–SUMMARY OF DEATH BENEFITS AFTER RETIREMENT

Type benefit	Number of firms
A fixed period of payments:[a]	
5 years of monthly payments	8
3 to 4 years of monthly payments	5
1/2 to 1 year of monthly payments	3
Worker's contributions plus interest	11
Lump-sum payment:	
$3,500 to $7,500	2
$1,000 to $3,500	5
$400 to $500	2
A percentage of normal benefits:[b]	
100	2
90	1
55	1
50	2
Other	2

[a] Usually less payments received.
[b] Many of these benefits are reduced for previous benefits paid.

Source: U.S. Bureau of Labor Statistics, 1968.

4. Communications and Disclosure

A great deal of discussion has taken place regarding employee expectations under the private pension system. Certainly what employees think they will get when they retire will influence the timing of retirement. There is very little factual evidence, however, about how much employees really know about and expect from their private pension plan. Certainly, as formal communication regarding pension plans has spread and become more sophisticated, individual workers' awareness of the plans and the provisions has increased, and their decisions have been and will be affected more strongly. But it cannot be assumed that participants in a pension plan have complete knowledge of their probability of receiving, say, a vested pension. One may reasonably ask the question as to whether the terminating worker knows that he is entitled to a vested pension and what conditions have to be met to protect this right or to achieve it. Certainly, based on documents and letters submitted by the Labor Department in the recent hearings on private pension plans, one would be led to believe that there are a substantial number of persons who do reach retirement age or terminate employment and who have then been disappointed to find that they do not qualify for a pension they anticipated or that there are no funds available (U.S. Committee on Labor and Public Welfare, 1968).

The pension promise for plan members is usually explained in plan booklets that typically illustrate the simple and routine cases. Since pension plans and other benefit plans have grown even more complex, the statements of such pamphlets regarding the limitations of the pension plan may be understood by the insurers, actuaries, lawyers, consultants, employers, unions, etc., but they are probably a little hazy for the persons to whom the pension plan actually applies.

B. PRERETIREMENT EDUCATION AND PLANNING PROGRAMS[8]

Reacting to the U.S. Civil Service Commission's study *Retirement Planning Programs* (1968), William L. Mitchell remarked in testimony before the U.S. Senate Special Committee on Aging:

> While the Commission's study significantly advanced our knowledge on retirement planning, we still are in need of reliable data on certain aspects of the subject. *We know now unmistakably, at least in government, that the great majority of prospective retirees want help in preparing for retirement and that they look primarily to the employer as an important source of this help* [italics, mine] (U.S. Special Committee on Aging, 1970b).

Whether findings of this study of government workers are generally applicable to the entire working population is not known. There has been, however, a rising interest in preretirement education, counseling, and planning in both the public and private sectors. The names of the programs operating in this area have varied. There has been even greater variety in the content of and methods used in the various retirement-focused programs.

1. Development of Preretirement Preparation Programs[9]

Although the origin of the first preretirement program is presently obscure, companies that have embarked upon preretirement preparation programs have followed either (1) the individual counseling approach or (2) the group approach. In commenting upon these approaches, Hunter (1968) observes that while little is known about the origins of the individual approach, group type preretirement planning programs can be traced to the pioneering work of two American universities – the University of Chicago and the University

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[8] Preretirement education is also discussed in the Background Paper on "Education."

[9] This section is in large part excerpted from Greene, et al. (1969b) with the permission of the authors.

of Michigan. Both of these institutions have developed education programs for use by industry in helping them prepare their older employees for adjustment to maturity, retirement, and old age.

In tracing the growth of preretirement programs, the National Industrial Conference Board cited research that "a survey of seventy of the largest companies in the U.S. in 1951 indicates that thirty-seven percent (37%) had some type of counseling; in 1952, fifty-four percent (54%) of 657 companies had it; and in a 1955 Conference Board Survey, sixty-five percent (65%) of 327 companies had preretirement counseling." A 1964 survey by the National Industrial Conference Board reported that of the 974 companies surveyed, 65 percent had some type of preretirement counseling. The National Industrial Conference Board Report notes that "the amount [number] of companies with preretirement counseling included every company which answered 'yes' to the following question: Regardless of its degree of formality or informality, does your company have any kind of preretirement counseling for older employees?" No attempt was made to define what was meant by "counseling."

Only a limited number of surveys have aimed at determining the extensiveness or comprehensiveness of the counseling programs offered by companies. Wermel and Beideman conducted a nationwide study in 1961. Its purpose was to determine what companies were doing to prepare their older workers for retirement. In their work they attempted to differentiate between programs designed primarily for explaining the company's retirement benefits and those programs whose principle aim is to help employees prepare for retirement.

By analyzing the responses, Wermel and Beideman discovered that company programs could be grouped into two categories: The limited programs and the comprehensive preparation-type programs. A "limited" program was defined as being concerned primarily with the financial aspects of retirement, with emphasis on giving the employee information about his retirement benefits, options, and pension and an encouraging him to make financial plans. Individual counseling might have been provided if requested by the employee, printed matter might have been distributed providing information on retirement planning, etc., but this was very much incidental and not an explicit goal of the counseling program.

The "comprehensive" program, on the other hand, was defined by Wermel and Beideman as going beyond financial planning and dealing with planning for retirement adjustment such as physical and mental health, use of leisure time, etc.

Using this method of classification, Wermel and Beideman determined that 161 or 40 percent of the 415 responding firms qualified as having a "limited" counseling program, and that 136 or 33 percent were in the "comprehensive" category. The results of this study indicated that preretirement counseling programs were far more prevalent in Eastern companies than in Western companies. Forty-five percent of responding companies in the East indicated they had developed and implemented some kind of preretirement counseling program, 32 percent in the Midwest, while only 15 percent of responding companies in the West and only 8 percent in the South had either limited or comprehensive programs. Another interesting fact developed by the Wermel and Beideman study was that 52 percent of those companies that had a program had had the program for five years or less.

A more recent study by the American Association of Retired Persons (1967) on *Preparation for Retirement in the Federal Government* found programs operating in 36 percent of the reporting companies. Thus, despite wide variation in the proportion of companies reporting preretirement programs, accounted for mainly by difference in the survey base, all indications are that a significant proportion of older workers, probably the majority, do not have the opportunity to participate in a formal program of this type.

2. The Nature, Content, and Effect of Preretirement Programs

Various studies have indicated that participation in current company preretirement programs is almost universally made voluntary, that almost all such programs are held on company time and on employer premises, that responsibility for such programs generally resides within the personnel division of the firm, and that there are sharp differences in

perceptions among both employers and employees as to the purpose(s) of such programs. Regarding the latter, one report (U.S. Civil Service Commission, 1968) summarizes 60 possible "objectives of" and "objections to" preretirement programs.

The U.S. Civil Service Commission (1968) also reports that with regard to content, preretirement programs generally involve five basic areas — finances, health, housing, social-personal, and use of time. Reporting on the results of a survey of Federal employees, the study indicated which topics employees are most eager to see included in a retirement planning program. "Respondents were asked to 'check no more than ten most needed' topics out of a list of 39 topics often included in preretirement planning programs. The topic that ranked second for the retirees and third for the eligibles was 'What to Expect in Retirement.' (Ranked first for both groups was 'Retirement Benefits;' second for eligibles and third for the retirees was Part-Time Employment' " (U.S. Special Committee on Aging, 1970b).

Regarding the effectiveness of preretirement programs, the following conclusions have been made:

> (1) . . .it appears that adequate retirement adjustment is a concern of a large segment of business management, but for some reason the growth of preretirement counseling programs has not increased significantly, with considerably less than half of the American companies making any attempt to prepare their employees, and probably less than ten percent of these companies have what could be called intensive preretirement counseling programs. One of the reasons cited for this reluctance to conduct programs is the lack of evidence that counseling really does improve adjustment and/or increase resistance to retirement. Limited studies do show that positive attitudes and planning do appear to be related to retirement adjustment, that these factors can be affected through a counseling program, and that valid instruments are available for measuring adjustment and resistance (Green, *et al.*, 1969b).
>
> (2) The overall conclusion which we must draw from this study is that preretirement counseling as practiced in the four (4) firms we studied did seem to affect positively the adjustment of the retirees, and to some degree weaken the resistance of the older employees to retirement, as well as contribute significantly to better morale and job related attitudes of the employees in the last years before retirement (Green, *et al.*, 1969b).
>
> (3) Programs were found effective by both retired and eligible employees who attended them. Nine out of ten of both groups liked the programs they attended. Programs were considered useful by 66 percent of the retiree participants and 82 percent of the eligible participants.
>
> . . .In all these respects, program participants resemble employees satisfied with retirement, who were found more likely than those not satisfied to regard retirement as "good for a person," to have enjoyed their social life, and to have had plans for retirement (Sinick, 1970).
>
> (4) The fundamental conclusion of this research clearly indicates that an organized program of preretirement planning which supplies needed information to assist individuals in their preparation for retirement does do much to allay personal concern (Drake University, 1969).

3. Illustrative Preretirement Education Programs

Preretirement programs are currently being sponsored by a variety of organizations: industries, unions, libraries, governmental units, adult educational departments, universities, churches, voluntary agencies, and even certain television stations. It would be impossible to summarize and describe all these programs in this paper — even if the information were available. Below are listed a group of randomly selected, illustrative programs with a very brief description of how they operate:

> (1) Wayne State University Institute of Gerontology, University of Michigan.
> The first educational program for older people in the United States was offered

by the University of Michigan during the Spring of 1948. Currently in the field of preretirement education the Institute of Gerontology offers (a) program development, consultation and demonstration program services, (b) leadership training courses and materials, (c) reading and visual materials, and (d) program evaluation services. For example, with support from Title V of the Older Americans Act the Institute offers a 14-week residential institute on retirement preparation leadership for personnel people, adult educators, labor union leaders, and others.

(2) Washburn University, Topeka, Kansas.

Washburn University recently taped 12 half-hour television programs presenting a broad overall view of problems relating to retirement. Distribution of such programs has been regional as well as local. The goals of the program are (a) to develop and produce institutional courses, (b) to disseminate effectively the information, and (c) to demonstrate the viability of television as a uniquely effective instructional medium for older adults. Additional programs are currently being developed.

(3) Massachusetts State Employees Association.

The Massachusetts State Employees Association has developed a pilot program designed to prepare State employees for retirement. It involves preretirement training and the development of a comprehensive manual relative to retirement. Also being developed for this program is a corps of trained information, resource, and referral personnel within the State government. Persons 61-64 years of age have been participating. Certain services and activities have been designed for persons 55 and over. The preretirement education involves group discussions, written materials, and other techniques.

(4) Oregon Center for Gerontology, the University of Oregon.

The Oregon Center for Gerontology has initiated "a state-wide action program" designed to make preretirement education available to all Oregon citizens and to train personnel to offer this service throughout the Western region. The four objectives of the program are (a) to focus attention upon the need for preretirement education, (b) to establish the Center as a focal point for the dissemination of research findings and for the application of such findings in its training Institute, (c) to establish programs to train personnel to design, initiate, and carry out preretirement programs in local communities, and (d) to coordinate the presentation of preretirement education classes for personnel in industrial firms, and others. The Oregon Center conducted summer institutions on "Education for the Retirement Years" during 1969 and 1970.

(5) Television Station KRON-TV, San Francisco. KRON-TV prepared a series of 13 consecutive programs on the problems and pleasures of aging, entitled "Gift of Time." The programs were designed to help retired persons decide what to do with their time and presented specialists from various fields. Mr. Louis Kuplan, a retirement counselor, served as program host and introduced the varied programs on such subjects as health, the economics of growing older, protection of property and rights, and uses of new leisure and community services.

(6) Retirement Advisors, Inc., New York City.

Retirement Advisors, Inc. is a private company engaged in providing preretirement and postretirement counseling services. Employers can engage the firm to provide many services: (a) Booklets are published four times a year for distribution to employees approaching retirement, dealing with different subjects of importance — housing, health, taxes, Medicare, community resources, etc. (b) Monthly newsletters are published for distribution to employees in retirement, giving practical information and suggestions of current interest. (c) Participating employees and retirees are invited to send in any questions they wish answered, and answers are sent back, or the person is referred to an appropriate information source.

(7) Chrysler Corporation Preretirement Program

Chrysler employees and their spouses have available to them, on a voluntary basis, a preretirement education program under the joint sponsorship of the Corporation and

the union. The program consists of seven two-hour weekly discussion sessions that are held in the evening to accommodate the employee's spouse. Vignettes and resource experts are used to promote group discussion and provide factual information.

The first session is the introduction and identification of potential problem areas. The second session deals with health. It emphasizes the importance of regular periodic examination along with exercise and involvement in hobbies and social activities. The next week covers living arrangements. The economics of retirement are considered in sessions four and five. The final session deals with the good use of time and the need to plan both mental and physical activities. "Don't retire from something, retire to something" is the general thrust of the whole program.

4. An Assessment of Preretirement Education Programs

Despite general interest in preretirement education programs, the development of such programs seems to be in a very early stage. Significant numbers of workers do not have access to such programs, sponsored by either employers, nonprofit organizations, or the community. And there is still disagreement over the need for such programs and whose responsibility it is to provide them.

Some companies have felt that it is the company's responsibility to prepare the employee for retirement, through a series of intensive counseling sessions. The logic for this kind of thinking goes something like this: The person has spent his entire working life, or at least the last ten to twenty years before retirement, with the company. Thus, the company feels that they must not only provide for the financial adequacy after retirement but also that they have a responsibility to "re-program" the man so that he will be able to adjust psychologically in retirement.

On the other hand, some companies have viewed preparation for retirement as an individual responsibility. This is in keeping with the American tradition of saving for later security and the individualism which characterizes American industry. Thus, any company "counseling" program is seen as an interference in the employee's private life. Still other companies feel that the problems of retirement and aging are for the community, State, and federal governments to solve (Green, *et al.*, 1969b).

In addition, certain specific problems have been noted by persons studying existing programs.

(1) A large majority of programs do not invite or encourage the attendance of spouses, despite strong indications that this is desirable.

(2) Programs often do not begin till shortly before retirement.

(3) The majority of programs are limited – concerned primarily with the financial aspects of retirement and distribution of printed matter. A more comprehensive program is usually not available to those that desire it.

(4) Most adults today do little definite personal planning for retirement.

(5) What is the "best" or most effective type of program is not yet known. Some evidence indicates the need for more intensive counseling programs to increase effectiveness and postretirement follow-up.

Recently, the Report of the President's Task Force on the Aging (1970) took a broader view of the question.

> Traditionally, America's schools have been for children and youth. Increasingly, they are recognized as essential, in a changing, technologically-advancing society, for ongoing job training. The Nation must see its schools also as places where people can be helped to continue to grow throughout their lives. In the broadest possible sense they must become centers for later life or "retirement" preparation.

V. ISSUES

If the nation agrees with the goal of expanding or maximizing the free choice of older workers as they approach old age with regard to (1) part-time versus full employment and (2) regular work versus retirement from gainful employment, the general question can be raised, What employment/retirement policies should be established by employers, unions, governmental units, and other organizations to help provide workers with a meaningful choice among various amounts of gainful employment, non-monetary work activity, and leisure activities?

Basic to the establishment of a meaningful choice are (1) the provision of adequate work opportunities for those able and willing to work and (2) the provision of adequate retirement income, beginning at the time when workers reach the traditional or so-called normal retirement age. Two other background papers deal with these two basic needs.

Therefore, as a basis for discussion of additional issues related to retirement, one can assume these two related needs are receiving attention. If the nation does commit itself, through private and public policy, to providing adequate work opportunities and adequate retirement income for the elderly, the following additional issues require careful consideration:

Issue 1.

Given that the normal age of retirement in the United States is currently around age 65, should current pressures to lower the normal retirement age below 65 be discouraged or encouraged?

With the establishment by law that persons could receive Social Security benefits at age 65, Congress, in effect, promulgated a national age of normal retirement. Later, Congress amended the Social Security Law to provide payments at an earlier age — but always at a reduced rate. Most recently, the Congress has declared persons eligible for Medicare benefits, again, at age 65.

If pensions are to be adequate, they must as a matter of policy and necessity make provision for adequate payments throughout the entire retirement period, and an appropriate minimum age at which to begin receiving such payments must be selected. Past legislative acts and the institution of a normal retirement age in most private pension plans have resulted in a large outflow of workers from the work force around age 65. It is at this age that most pension plans currently begin paying pension benefits of maximum entitlement to replace the loss of income from earnings.

There is nothing sacred about age 65 as the age of normal retirement. Some persons argue that the trend toward early retirement, cited in Section III. Knowledge Available, is due in part, to the desire of large numbers of workers to retire at an earlier age. Others argue that with improved education and health care and with the decline in physical stress associated with many jobs, many workers are able to remain productive long beyond age 65.

Economic growth — resulting from technological innovation, rising levels of education, the growth of capital, etc. — has permitted living standards in the U.S. to increase while, at the same time, workers generally have had to work less to help produce the rising output of goods and services. Thus, as workers' lifetime earnings have increased, hours worked per week or the number of days worked have fallen; the length of vacations has increased; and the period of retirement has generally lengthened.

Continued economic growth in the future will presumably make it possible to reduce work effort still further while continuing to raise living standards and deal with the growing

social problems of our age. No doubt this means that hours worked per week will continue to fall, and vacations will be lengthened. The question arises, however, as to whether the normal age of retirement should also be reduced. All workers, whether young or old, should seriously consider when and how they want to take the leisure available to them throughout their lifetime.

Some persons have argued against reducing the normal retirement age and have suggested that we consider encouraging work beyond age 65 by financial incentives and flexible retirement rules. They argue that a concentration of leisure time at the end of the life cycle should be avoided in order to help minimize the financial, social, and psychological problems currently associated with the retirement period.

Instead, it is argued that continued emphasis should be given to the growth of holidays and vacations. In addition, various proposals have been made for increasing leisure during the working years by reducing the workweek, introducing sabbaticals similar to those currently existing in higher education, developing extended vacations, etc.

Others argue that the physical and emotional demands of many jobs today make it imperative that large numbers of workers be given the opportunity to retire at an earlier age. Any such reduction in the normal age of retirement, however, must be seen clearly as a decision in the long run for less leisure in the earlier years and/or less take-home pay in the working years (as a result of higher payroll taxes or high rates of group and/or individual savings). Current pension plan provisions, which permit retirement before age 65 without significant reductions in pension payments, are, in general, an example of a choice made in favor of more leisure in retirement as opposed to more earnings or earlier leisure.

Alternatively, some have advocated permitting and perhaps encouraging later retirement by one or more of the following:

(1) Liberalizing the "retirement test" associated with Social Security.
(2) Exempting workers over age 65 from OASDI payroll taxes.
(3) Permanently increasing pension benefits for later retirees.
(4) Liberalizing mandatory retirement age rules.
(5) Creating more public service jobs for the aged.
(6) Continuing development and greater use of "functional criteria" systems that can impartially measure an employee's ability to adequately function in various job assignments.
(7) Making the work experience and work environment more enjoyable to the worker.

The above suggestions, and many others, could be evaluated and developed; then the best alternatives could be embodied in current and/or new public and private retirement programs. But first a decision must be made as to whether, always allowing for the special circumstances of certain individuals and special groups, the nation as a whole wishes to encourage a lowering of the normal age of retirement.

Advantages suggested on behalf of lowering the retirement age are as follows:

(1) After thirty or thirty-five years of work, a worker has earned the right to retire, regardless of age, with adequate pension income.
(2) Earlier retirement would extend the number of "free years" available to persons before mobility and leisure activities are seriously constrained by illness and the general physical effects of old age.
(3) Earlier retirement provides better opportunities for younger workers to be promoted, raising morale and perhaps the efficiency of firms.

Disadvantages of reducing the retirement age have been cited as follows:

(1) Earlier retirement means less leisure and/or less take-home pay in the working years. Put another way, the working population must provide greater support to the nonworking older population.

(2) By and large, many older people today are healthier and more active than their grandparents and better able to keep on working. Furthermore, there is clinical evidence that physical and emotional problems can be precipitated or exacerbated by denial of employment opportunities.

(3) By minimizing the length of the retirement period, we could reduce the financial, social, and psychological problems often associated with this period.

Issue 2.

Is there a need for new national policies, together with private organization programs, to help workers who are forced to leave the work force before the normal retirement age due to health and/or employment problems?

Since age 65 has become the normal age of retirement and current retirement income systems are geared primarily to this age, what about the worker who desires but is unable to work up to that age because of health or employment problems? The data presented in Section III. Knowledge Available indicate that there are significant numbers of workers faced with one or more of the following problems:

(1) Health problems, ranging from total and complete disability to specific impairments that interfere with particular job functions.

(2) Job discrimination, giving preference to younger workers for job openings and training.

(3) Plant close-downs, which force older workers with experience and special skills to compete for alternative opportunities.

(4) Skill obsolescence, causing loss of jobs in declining industrial sectors and/or long term unemployment due to the lack of demand for obsolete skills.

(5) Recessional periods, when marginal workers are unable to find suitable employment.

There are now a number of programs that seek to help workers faced with these problems. These include (1) Disability Insurance, Workmen's Compensation, and the Vocational Rehabilitation Program; (2) the Age Discrimination in Employment Act, which became effective June 1968; (3) the Manpower Development and Training Act of 1962 and subsequent amendments; (4) Unemployment Insurance and the Employment Service; and (5) special projects such as "Operation Mainstream," "Green Thumb," and "Foster Grandparents."

Evidence points to the possible insufficiency of these programs, however.

(1) When older workers are displaced from their jobs because of automation, plant shutdowns, and other reasons, they frequently lack the education or training to move into the expanding industries. Furthermore, only a small percentage of the Nation's manpower training and retraining efforts have focused upon people 45 and older, although they comprise a disproportionately large percentage of the long-term unemployed. For example, only about 11 percent of all training under the Manpower Development and Training Act has been directed at persons 45 and older. In addition, the training allowance under the MDTA is also quite low, roughly equivalent to the allowance for unemployment insurance (U.S. Special Committee on Aging, 1970, p. 116).

(2) At the end of 1969, only one court proceeding had been instituted under the act. [Age Discrimination Act] . . .Enforcement of the act is the responsibility of the Wage and Hour and Public Contracts Divisions in the Department of Labor. . .. These divisions employ slightly fewer than 1,000 investigators in the field. When asked how much of their time was devoted to age discrimination activities, he [Deputy Administrator Robertson] replied, "Not over 10 percent of their time" (U.S. Special Committee on Aging, 1970).

(3) Almost one-fifth of those who became entitled for Social Security retirement benefits at age 62 gave as their main reason for stopping work either that the job was discontinued, that they were laid off or fired, or that they quit because dissatisfied. Those who were laid off or whose jobs were abolished overwhelmingly said they did not want to retire and would have worked longer at the job if permitted to do so (Merriam, 1970).

(4) It appears. . .that the early retirement provisions of the OASDHI program often function as an intermediate disability program, providing benefits for older disabled workers who are unable to meet the eligibility requirements for disability insurance, are awaiting to have a disability determination completed, or choose not to apply for disability benefits. As such, the effect of the present program provisions is to liberalize the eligibility requirements for disabled people age 62-64 in exchange for a reduction in the cash benefits paid (Bixby, 1970).

There clearly exists a transitional phase or period for most workers, eventually culminating in complete retirement from gainful employment. The circumstances faced by workers vary tremendously, however; some workers have few or no problems and some have very serious difficulties. The question that arises is whether present policies and programs are adequate to deal with these differences? Various proposals have been made for improving the unemployment, disability, and retraining programs. Before programmatic changes can be made, however, decisions are needed on certain policy questions.

First, there is the question of whether the burden and solution to problems generated during the transitional period prior to retirement are to be primarily the responsibility of the individual. If so, actuarially reduced private and public pensions are examples of program development that gives the individual flexibility in deciding when the pension should start but does not add to program costs. That is, persons forced into early retirement by certain problems can collect a reduced pension, but if they want to maintain their income at a higher level, they must do so through supplemental income sources.

Second, if it is decided to develop a national policy to assist workers with the special problems arising during later maturity, should the policy be to maintain the income level for the affected family at or close to their prior living standard, with specified minimums and maximums, or should the policy simply guarantee that the family would not fall below a designated "poverty level"?

Third, what should be the basic mechanisms for any public programs in this area? Should we rely upon an insurance-type program, a welfare program, or what?

Issue 3.

Should society assume greater responsibility for helping people prepare for their retirement through some form of preretirement education?

In recent years there has been general recognition of the importance of helping the retiring employee, and his spouse, in adjusting economically, socially, and psychologically to a new way of life. Although sophisticated techniques have been developed for motivating employees in the work environment, there has been almost no effort to develop equally sophisticated techniques for preparing individuals for their life in retirement. Unfortunately the nature of retirement in our society often demands such a major readjustment of the life style that such education cannot be effectively begun after retirement. To be effective, the process of preretirement education probably should commence several years prior to retirement and should lead to effective long-range planning for life after retirement.

The benefits of such planning to the individual and to our society and its consequent effect on satisfactory retirement adjustment have begun to be documented by research. For example, a recently completed research study conducted by the University of Oregon (Greene and Pyron, 1969) reported that of more than 650 retirees who retired from industrial firms,

employees who had been in attendance at company-sponsored preretirement education programs made significantly better adjustment to retirement than did those employees who had not attended such programs.

Despite the findings of this and other research studies to the effect that preretirement education does aid in retirement adjustment, relatively little action by employers, employees, and/or the general public has been stimulated. As was discussed in Section III. Knowledge Available of this paper, studies show that only about half the firms sampled attempt to provide any form of preretirement education or advice to retiring employees. Of these, only a small percentage provide more than a brief rundown of the pension benefits to which the employee is entitled. Moreover, the evidence indicates that when programs are presented to retiring employees, the personnel presenting the programs often are untrained in the specifics of aging and retirement. More often than not, company counselors are personnel men who are assigned the preretirement education function as part of other, and usually more demanding, duties.

The basic problem, therefore, is determining (1) how the availability of preretirement education to workers who wish to participate voluntarily can be increased, (2) how the quality of preretirement education can be improved, and (3) how to encourage workers and employees to begin preparing for retirement at a relatively early age. It has been suggested, for example, that retirement preparation should be part of a more general program of education for "continued living for life." Alternatively, specific programs or incentives could be devised solely to promote the quality of preretirement education.

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